

Table with exchange rates and other financial data.

Shelling Continues In Lebanese Port

Moslems Meet Again in Tripoli; Israeli Bus Ambushed Near Beirut

United Press International
TRIPOLI, Lebanon — Street battles and sporadic shelling continued here Friday in fighting that has killed or wounded hundreds and driven an estimated 25,000 people from their homes in the past week.



Seven persons were injured Friday when Rome police charged workers protesting government cutback plans.

Thousands Protest Cutbacks in Italy

Compiled by Our Staff From Dispatches
ROME — Police officers wielding batons chased demonstrators in Rome as thousands of workers took to the streets Friday in major cities across Italy to protest the government's tough new economic measures.

Pentagon Vows To Seek Cuts in Weapons Outlay

By David Hoffman and Lou Cannon
Washington Post Service

WASHINGTON — Defense Secretary Caspar W. Weinberger, under pressure from other senior administration officials, has told President Ronald Reagan that he will re-examine the Pentagon budget in search of possible cuts, well-placed sources reported.



CHARGE IT, PLEASE — Shoppers in the china department at Harrods in London elbowed and mashed their way through crowds seeking bargains in Wedgewood, or perhaps Royal Worcester, as a sale began.

Soviet Says Satellite Will Fall From Orbit

By Serge Schmemmann
New York Times Service

MOSCOW — The Soviet Union said Friday that one of its nuclear-powered Cosmos satellites had been separated into sections and would drop out of orbit, but it insisted that the reactor would burn up completely before reaching Earth.

In Chile, Support for Pinochet Wanes

By Juan de Onis
International Herald Tribune

SANTIAGO — The dramatic slide of Chile's free-market economy is producing the first symptoms of the political decline of the iron-fisted regime of President Augusto Pinochet.

Salvadoran Defies Order, Puts Unit on Alert

The Associated Press

SAN SALVADOR — A top Salvadoran military commander refused an order sending him to a diplomatic post in Uruguay, placed his garrison on alert and Friday called for the resignation of Defense Minister Guillermo Garcia.

INSIDE
President Karl Carstens telling West Germans that he will call elections on March 6. Page 3.

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The Associated Press

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Israel Finding Cures for Its Psychiatric Casualties of War

By David K. Shipler
New York Times Service

TEL AVIV — A 35-year-old Israeli soldier, seeing his friends blown apart under heavy artillery bombardment during the war in Lebanon, collapsed on the battlefield and was evacuated to a treatment center.

There, he sat and stared at one spot on the floor, unresponsive to his surroundings, making contact

only when someone touched him and, at the same time, called his name. He developed a phobia about guns, refusing to touch a rifle.

Another soldier spent 24 hours crying, yelling, rolling on the floor, talking to his dead friend and crawling around trying to piece together what he imagined were the parts of his friend's dismembered body. A soldier who saw his good friend burned in a tank could not

stop moaning and crying, and felt profound guilt for not trying to save him.

These were some of the casualties of the Lebanon war who did not make the Israeli Army's daily statistics, for their wounds were psychological.

Known in World War I as "shell shock," and in World War II as "battle fatigue," the phenomenon is now called "combat reaction" by the elaborate teams of army psychiatrists, psychologists and social workers mobilized to cope with approximately 600 Israeli soldiers who became psychiatric casualties during the Lebanon war.

There were 23 psychiatric casualties for every 100 physical casualties, officials say.

Some of the cases, methods of treatment and correlations with sociological and personality traits are being described by army officers this week in an international symposium on psychological stress sponsored by Tel Aviv University.

Although combat reaction was observed as early as a problem in Israel until the October war of 1973, when fierce combat and heavy initial losses were accompanied by unprecedented psychiatric problems among the troops.

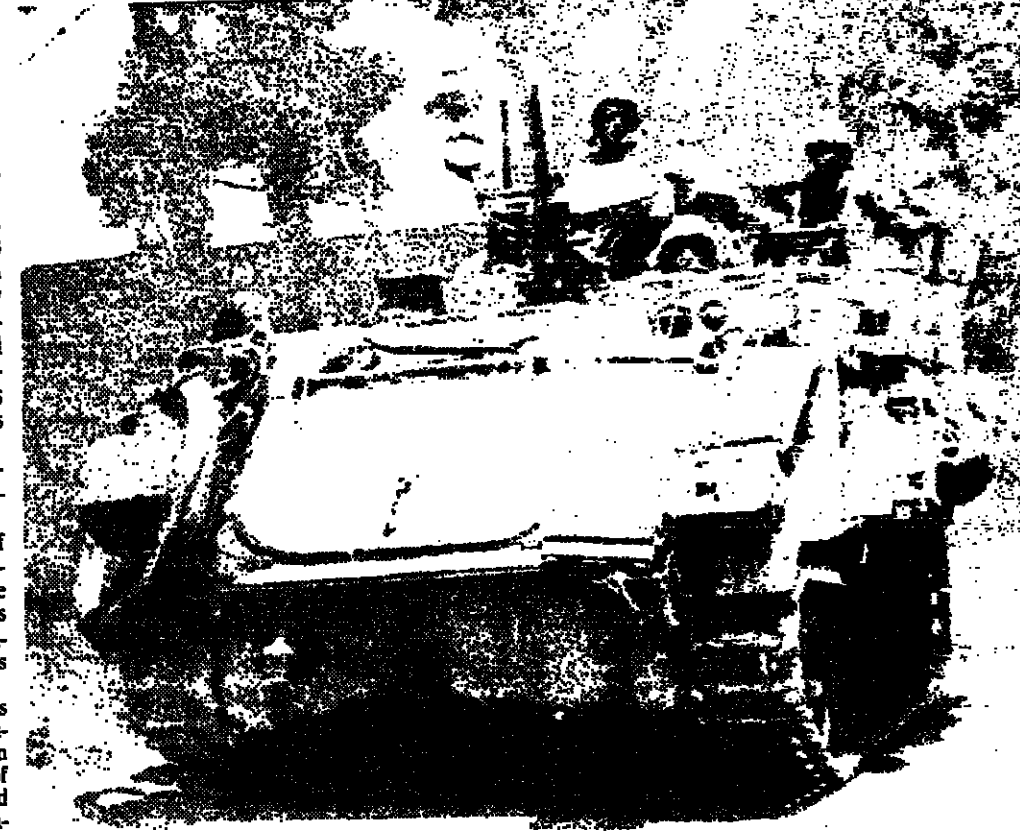
Army psychologists estimate that the actual ratio of psychiatric to physical casualties in 1973 may have approached 40 or 50 to 100, although official figures were kept considerably lower than that by excluding those psychiatric cases whose symptoms did not surface immediately and those who were also physically wounded.

In addition, "the symptoms were less severe" in the Lebanon war, according to Major Reuven Bar-On, a psychologist in the Mental Health Department of the Israel Defense Forces.

Fifty-six percent of the 600 cases displayed anxiety reactions, 38 percent depression, 34 percent sleep disturbances, 34 percent fear, 24 percent social estrangement and detachment and 22 percent conversive reactions, in which emotional trauma was converted into bodily dysfunctions such as limping, blindness and deafness.

Symptoms encountered with less frequency included crying, decreased appetite, headaches, exhaustion, psychomotor disturbances (shaking or moving about uncomfortably), disturbing dreams and memories, speech impairment, irritability, aggression, memory loss and noise sensitivity. Dissociative states (episodic loss of contact with reality) occurred in 11 percent of the cases, less frequently in the Lebanon war than in 1973, Major Bar-On reported.

Psychologists tend to see battle fatigue as a statement that "I cannot carry on," or an "exit ticket" from combat, which then often re-



During the war, an Israeli armored personnel carrier rumbled through Beirut, bearing dove and gun symbols and the chalked message "War for Peace" in English and Arabic.

sults in feelings of guilt, loss of self-esteem or a sense of helplessness, which the therapists try to correct.

In trying to draw psychological and sociological profiles of the casualties, the army found that the soldiers most severely affected had a background of personality disorders, including chronic neurotic conditions, according to Dr. Reuven Segal, a psychiatrist who served as deputy commander of a treatment unit in the rear.

His patients, he said, had displayed difficulties in school, difficulties in social adjustment and in intimate relationships, problems in marital life, difficulties in choosing and staying with an occupation.

Examining sociological characteristics, Major Zahava Solomon, a psychologist in the Mental Health Department, found that the higher the educational level, the less the chance of a soldier's becoming a psychiatric casualty. Only 6 percent of the casualties had gone beyond 12th grade.

The risk also increased somewhat with age, she said, and 80 percent of the casualties were reservists. 19 percent were draftees and only 1 percent were career military men.

Some army psychologists, including Americans attending the symposium, believe that individual personality factors have little to do with vulnerability to combat fatigue than do the characteristics of the battle and the unit.

Dr. Franklin D. Jones of the neuropsychiatry division of the Walter Reed Army Institute of Research in Washington, said that although elite units, such as the 82d Airborne Division, inevitably have low rates of psychiatric casualties, a study of the 82d "found extremely pathological personalities" among the paratroopers.

Asked whether combat reactions had been fostered by the lack of broad support in Israel for the war, or the outright opposition by soldiers themselves, Yohanan Wozner, head of Tel Aviv University's School of Social Work, who served in a treatment unit, said: "We have no scientific information, but my impression is no."

After finding itself unprepared in 1973, the army this time organized a three-echelon treatment system in an effort to return as many victims as possible to their combat units quickly.

In Lebanon, front-line psychiatric units were established to take casualties overnight, or for 24 to 72 hours at the most. Commanders and fellow soldiers were encouraged to visit, and 59 percent of those treated were returned to their combat units.

Second-line centers were set up on army bases just inside the Israeli border for those whose front-line treatment failed. The longest period of treatment was 14 days. If that failed, the soldier was sent to a third-line center, called the Combat Fitness Retraining Unit, on a base in central Israel.

The emphasis in both centers was on keeping the soldiers in a military milieu, in uniform, in

physical fitness programs and, ultimately, in weapons training as well as group and individual therapy.

At first, when therapists told them they would be shooting on the target range, the soldiers jeered and cursed, since almost all of them had developed a gun phobia.

"This gun does awful things to people," one said, "so I never will touch this garbage." But step by step they were re-exposed to weapons, often with the help of the group.

One friend helped a soldier by putting parts of a dismantled rifle in his pockets; another sat next to him with a gun.

The 35-year-old soldier who just stared at the floor was brought out of his stupor time and again by others in his therapy group, who touched him and called his name whenever he lost contact.

One soldier finally said to him, "What will you do when your son asks why you don't go to reserve duty like all fathers?" At that, the 35-year-old agreed to help himself. He allowed gun parts to be put into his pockets and finally fired on the target range, as did almost all the others.

Colonel Reuven Gal, who until recently was chief psychologist for the army, added a footnote: He had found striking similarities in the personalities of heroes and psychiatric casualties.

"I really believe these two behavior patterns have a lot in common. They act in a very extreme way, breaking down or going into a burst of bravery. It is only a matter of chance whether he will be decorated or treated."

Swiss Expel 2 Soviet Diplomats

BERN (AP) — Two Geneva-based Soviet diplomats, including one accredited to the United Nations office, have been expelled by Swiss authorities for "political espionage."

The case was disclosed Friday in a Justice Ministry communiqué that said the two men had been found trying to collect information on "resistant control and civil registers" in Switzerland. A spokesman declined to elaborate on the nature of the illegal activities.

Official Swiss sources indicated that both diplomats left the country a few days ago. Switzerland filed a protest with the Soviet Embassy in Bern before Christmas, declaring them unwelcome. Their identities were withheld but the communiqué said the other diplomat had been assigned to the consulate general in Geneva.

Danish Fisherman Fined £30,000

NORTH SHIELDS, England (UPI) — Kent Kirk, a leader of Danish fishermen arrested while violating Britain's new 12-mile protected fishing zone, was convicted Friday and fined £30,000 (\$48,000) and assessed £400 costs by a magistrate's court.

Mr. Kirk, 34, who is also a member of the European Parliament, was caught Thursday fishing in the zone off northeastern England. He pleaded not guilty and contended the new regulations were illegal under the Treaty of Rome establishing the Common Market in 1957. Britain imposed the 12-mile rule Jan. 1 after a Danish parliamentary committee turned down a Common Market fisheries compromise.

The Dane said he would appeal his case in Britain, then in the European Court of Justice if he was not acquitted. He said he was not surprised by the heavy fine. "I have set out to achieve what I wanted and I got it. By being able to take this case to Europe I will win."



Kent Kirk

Pym Hails East Bloc Peace Offer

LONDON (Reuters) — Foreign Secretary Francis Pym of Britain welcomed Friday the Warsaw Pact nations' offer to sign a nonaggression pact with NATO and said the West would give it serious attention.

"I think it's a document of great significance," Mr. Pym said in a radio interview. "I also think it's a very important moment in international affairs." Britain's initial reaction to the proposed mutual nonuse of nuclear weapons was muted.

Mr. Pym added that Western countries had not yet received an official text of the statement, issued Wednesday at the end of a meeting in Prague of leaders of the seven-nation Communist alliance.

Corsica Is Tense After Bombing

AIACCIO, Corsica (Reuters) — Tension gripped Corsica Friday after separatist guerrillas replied to a French government crackdown on political violence with a bomb attack in central Ajaccio.

The bombing, blamed on the outlawed Corsican National Liberation Front, caused concern among residents about a confrontation between the separatists and newly strengthened security forces, sources said.

The explosion Thursday night badly damaged a driving school that had been the target of several previous attacks. Other buildings in the area were also damaged.

For the Record

PRETORIA (UPI) — A land-mine explosion killed seven South African troops and wounded one at Kooskoved in northeastern South-West Africa (Namibia), military spokesmen said Friday. The spokesmen did not say when the blast took place.

WARSAW (Reuters) — A Polish military court sentenced a West German businessman to four years in jail Friday on charges of spying for Western intelligence services, the official PAP press agency said. The businessman was identified as Lech Jan Szamotulski.

U.S. Housing Officials Defend Free Travel

By Howard Kurtz
Washington Post Service

WASHINGTON — Senior officials at the Department of Housing and Urban Development took two dozen trips last year to places ranging from Martha's Vineyard, Massachusetts, to Milan in which their air fare or hotel costs were paid by groups of real estate agents, builders and city and county officials.

Donald I. Hovde, HUD undersecretary, for example, spent two days in Puerto Rico in September as a guest of the Pennsylvania Association of Realtors, according to department records. Mr. Hovde also took a six-day, \$3,600 trip to Italy, where his plane fare, hotel and some meals were paid for by the Italian chapter of the International Real Estate Federation.

Builders, realtors and cities and counties all receive money from HUD and are affected by a variety of department decisions. The travel financed by these groups is in addition to numerous trips that senior department officials took last year at government expense.

HUD policy prohibits employees from accepting free trips from companies that are regulated by or do business with the department. But, in a memo last May that largely continued what had been the policy of the administration of former President Jimmy Carter, Mr. Hovde encouraged senior employees to accept free travel from trade associations, "regardless of whether the industry or group is regulated by HUD or the members of the association have business dealings with the department."

"Current fiscal realities make it appropriate that such offers be not only accepted but encouraged, even to the extent that the organization's willingness to reimburse expenses will be taken into account in the department's determination of whether to approve the travel," Mr. Hovde wrote.

He added, however, that free travel should be discouraged in some circumstances because it "may tend to create a public im-

pression that the offer is made to influence the department's official actions or to obtain preferential treatment."

Asked this week about his own travel, Mr. Hovde said his eight expense-paid trips were "just part of the invitation. I've checked with the general counsel's office and it's perfectly legitimate."

Michael Bernardo, an official with the Pennsylvania realtors, said Mr. Hovde was invited to their convention because he is a former president of the National Association of Realtors, and "we thought it would be a good idea to have him tell us what's going on in Washington. He was on the program. We don't bring them in to have fun."

Stephen Bollinger, HUD's assistant secretary for community planning and development, had some

expenses paid on 10 trips last year. He said he had just turned down a free trip from a mortgage banking firm because it would look improper, but that he could do nothing for trade associations.

He said, "The test I have is, are these guys pimping me? Am I being brought there to be manipulated?"

The Reason Foundation, a libertarian think tank, paid the expenses of Emanuel S. Savas, HUD assistant secretary, to address the group in Santa Barbara, California, and gave him a \$250 honorarium.

HUD rules prohibit an employee from accepting fees for discussing department business. Mr. Savas said he took a half-day's leave to address the group on his recent book, "Privatizing the Public Sector." But the foundation president, Bob Poole, said Mr. Savas also spoke "on what HUD is doing and

some of the research in his division."

The Washington Post reported Thursday that Mr. Savas, a strong advocate of cutting federal aid to the cities, charged the government for more than \$14,000 in travel last year, including five trips to Europe and 20 trips to New York, where he spent weekends with his family in Tarrytown, New Jersey, after conducting official business.

Mr. Savas said these were all legitimate business trips and that he saved money by avoiding hotel costs in New York. A White House spokesman said Thursday that presidential counsel Fred F. Fielding has no plans to look into Mr. Savas's travel.

Two months ago, Mr. Hovde agreed to repay the government \$2,800 in overtime costs for using a HUD car to commute from his home in McLean, Virginia.

Guatemala to Get U.S. Copter Parts

The Associated Press

WASHINGTON — The State Department, citing what it termed "significant steps" by the Guatemalan government toward protection of human rights, announced Friday that it had approved a Guatemalan request for \$6 million in military spare parts.

The decision, which had been expected, ends a five-year embargo on military shipments to Guatemala.

A department spokesman, John Hughes, said that most of the spare parts will be used for the UH-1H helicopters that Guatemala has been using in its fight against leftist guerrillas.

Mr. Hughes credited the nine-month-old government of President José Efraín Ríos Montt with easing political repression, but said that the United States would like to see further improvements.

In addition to what he described as a "dramatic decline" in political violence in Guatemala, Mr.

Hughes said the U.S. decision was also influenced by General Ríos Montt's plans to restore democratic rule.

The decision was expected to draw sharp criticism from human rights groups and congressional liberals who contend that human rights abuses, which had led to the embargo in the first place, continue.

A resolution signed by 70 House members and released by Representative Tom Harkin, Democrat of Iowa, charged that despite recent reports of a lessening of violence, the Guatemalan government's use of martial law and failure to punish military personnel accused of killing civilians fail to meet even "minimum human rights standards."

Aryeh Neier, deputy chairman of America's Watch, a human rights group, said Thursday that to the extent the Guatemalan countryside has been pacified, it is the result of intimidation of the peasantry by the Guatemalan Army.

The administration's assessment of enhanced protection of human rights has been supported by recent press accounts.

In addition, Representative Michael D. Barnes, Democrat of

Maryland, chairman of the House inter-American affairs subcommittee, has indicated that he is reassessing his previous opposition to the sale.

The officials said the administration was eager to go ahead with the sale now because it felt a show of support for General Ríos Montt would strengthen his position against rightist forces opposed to his rule.

Key Shuttle Test To Delay Flight

United Press International

WASHINGTON — Space agency officials postponed Friday the maiden flight of the second space shuttle, Challenger, by a month so engineers can test-fire its main engines a second time to locate the source of a mysterious hydrogen leak.

Lieutenant General James Abrahamson, associate administrator in charge of space flight for the National Aeronautics and Space Administration, said the repeat testing will be scheduled for the end of January. He said the flight of the Challenger is expected at the end of February.

"All data have been carefully analyzed and we are determined that a confirming flight-readiness firing is a prudent course," General Abrahamson said. "The lengthy launch delay means the Challenger's second flight, a shuttle mission scheduled for April 23, will also be delayed."

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The International Herald Tribune invites you to meet the ASEAN Government leaders at an international conference on: Trade and Investment Opportunities in the ASEAN Countries

February 9, 10 and 11, 1983 in Singapore

In the midst of an international economic crisis, Indonesia, Malaysia, the Philippines, Singapore and Thailand, the five members of the Association of Southeast Asian Nations, continue to show growth rates of 5% to 7% annually.

Their rapid economic growth has led to a major increase in their imports from the United States, Japan and Europe, and ASEAN is expected to be the most rapidly growing market for the industrialized countries through the 1980's.

Abundant natural resources, an increasingly skilled and competitive labor force and political stability make the area particularly appealing to companies seeking to

expand their activities internationally. Moreover, the ASEAN countries have been actively encouraging foreign investment in recent years.

The International Herald Tribune's conference on "Investment and Trade Opportunities in the ASEAN Countries" will be an unprecedented opportunity to hear and question in a single forum the government officials who are responsible for formulating the trade and investment policies of these five countries.

The delegation from each country is listed below. A spokesman from each of the three major trading partners of ASEAN — the United States, Japan and the EEC — has also been invited to participate.

INTRODUCTION TO ASEAN

- H.E. Mr. Chan Kai Yau, Secretary General of ASEAN
- Mr. Masao Fujioka, President, Asian Development Bank

REPUBLIC OF INDONESIA

- H.E. Professor J.B. Sumartono, Minister of State, Vice Chairman of Bappenas (National Development Planning Agency)
- H.E. Professor I.R. Soedjono Hadisapocro, Minister of Agriculture
- I.R. Suhartoyo, Chairman of BKPM (Investment Co-ordinating Board)
- H.E. Mr. Sumitro Djojohadikusumo, Consultant, former Minister of Finance, of Trade and of Research and Technology

FEDERATION OF MALAYSIA

- H.E. Tengku Dato' Ahmad Ridauddeen Bin Tengku Ismail, Minister of Trade and Industry
- H.E. Tan Sri Dato' Ishak Bin Patch Aldir, Chairman of MIDA (Malaysian Industrial Development Authority)

REPUBLIC OF SINGAPORE

- H.E. Dr. Tony Tan Keng Yau, Minister of Trade and Industry
- Mr. Hwang Peng Yun, Chairman of the Economic Development Board
- An invitation has been extended to H.E. Mr. Lee Kuan Yew, Prime Minister of the Republic of Singapore

REPUBLIC OF THE PHILIPPINES

- H.E. Mr. Cesar Virata, Prime Minister
- Mr. Jose P. Leviste, Jr., Deputy Minister of Trade and Industry
- Third speaker to be announced

KINGDOM OF THAILAND

- H.E. Major General Chatichai Choonhavan, Minister of Industry
- Mr. Sanoh Unakul, Secretary General of the National Economic and Social Development Board
- Mr. Chanchai Leechavorn, Secretary General of the Board of Investment
- Dr. Thongchai Hongladaromp, Governor of Petroleum Authority of Thailand
- Mr. Sivavong Changlasi, Director General, Department of Mineral Resources, Ministry of Industry

TRADE WITH ASEAN

The three guest luncheon speakers will represent major trading partners of the ASEAN nations: the United States, Japan and the European Community.

- Mr. William E. Brock, United States Trade Representative
- Mr. Naohiro Aramaya, Senior Advisor on International Economic Relations to the Ministry of International Trade and Industry, Japan
- Viscount Etienne Davignon, Vice-President, Commission of the European Communities

CONFERENCE REGISTRATION FORM

Please enroll the following participant in the conference to be held February 9-11, 1983 in Singapore.

The participation fee is US \$1,500 for each participant. This includes lunches, cocktails, a reception and conference documentation. Fees are payable in advance of the conference and will be returned in full for any cancellation that is postmarked on or before January 20. A cancellation fee of US \$400 will be incurred after this date. Cancellations received by the organizers less than 3 days before the conference will be charged the full fee.

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Carstens Calls West German Elections in March

By James M. Markham
New York Times Service

BONN, — President Karl Carstens dissolved the lower house of the West German Parliament Friday and, bowing to the wishes of the nation's political parties, called early general elections, to be held March 6.

The president's decision, which had been expected, came after Chancellor Helmut Kohl intentionally lost a confidence motion in the Bundestag on Dec. 17 in order to open the way to new elections.

Unlike most West European heads of government, the West German chancellor does not have the discretion to force elections at will. Some legal experts have accused Mr. Kohl of abusing the spirit of the West German constitution, which has numerous safeguards to ensure governmental stability.

President Carstens, who like the chancellor is a Christian Democrat, was reported to harbor doubts about the confidence motion device, but he voiced none in a brief televised speech Friday evening.

He observed that all parties had expressed to him their wish for new elections and that, as president, he was not in a position to judge the motivations of deputies who had expressed a lack of confidence in Chancellor Kohl.

"Many believe that the situation

after March 6 could be more difficult than it now is," the president said, adding to fears that no stable Bundestag majority might emerge from the vote. "But such uncertainty is involved with nearly every election."

The thrust of the president's remarks was to lend constitutional legitimacy to the confidence motion device, rendering the West German constitution more flexible for future political impasses.

Most opinion polls show the Christian Democrats taking just about 50 percent of the vote. But the Free Democrats, the junior partners in the coalition, have been consistently polling less than the 5 percent of the popular vote required for them to return to the Bundestag.

A recent poll by the well-regarded Allensbach institute gave the Christian Democrats 51.1 percent, the opposition Social Democrats 38.6 percent, the radical Greens movement 6.3 percent and the Free Democrats 3.6 percent.

But no major polls have been published since the Social Democrats won an unexpected majority victory in state elections in Hamburg on Dec. 19.

The Hamburg vote suggested that the conservative Kohl government was vulnerable to accusations that it was siding with the affluent against the poor, and that the West German electorate may be fairly

volatile at a time of mounting unemployment and looming cutbacks in social spending.

Foreign Minister Hans-Dietrich Genscher, leader of the Free Democrats, has begun to soften his tone toward the Soviet Union in recent days in what appears to be a series of remarks aimed at an anxious electorate.

In a party statement issued Friday, Mr. Genscher called the Warsaw Pact's offer of arms reductions and a nonaggression pact "noteworthy and remarkable" and declared rather effusively that as the new year dawned "the East-West dialogue is in full swing."

Mr. Genscher also suggested that alternatives to the Reagan administration's "zero option" at the Soviet-American nuclear arms reductions talks in Geneva should be considered. Under the zero option, the North Atlantic Treaty Organization would forgo its planned deployment of medium-range nuclear missiles in Western Europe this year if the Soviet Union dismantled its comparable intermediate-range weapons.

Mr. Genscher said an "interim result" of the negotiations could mean a reduction of the 572 cruise and Pershing-2 missiles that NATO plans to deploy in return for the "widest possible" limitation of Soviet missiles.

Last November, a government spokesman said that partial results

might be acceptable at Geneva, and Mr. Genscher's remarks appeared to give greater force to this shift from the zero option.

Reagan and Vogel Meet

In Washington, Hans-Jochen Vogel, the Social Democratic Party candidate for chancellor in the March elections, told President Ronald Reagan on Friday that concern with the nuclear arms race is growing in his country and

throughout Europe. The Associated Press reported.

Mr. Vogel said after the half-hour White House meeting that he is "doing everything" to negotiate an agreement with the Soviet Union to reduce nuclear weapons.

Based on that promise, Mr. Vogel said he was prepared to cooperate with "our old ally," the United States, if he wins election to head the West German government.

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Exile Predicts a 'Show' for West, Then Repression Under Andropov

By Charles J. Hanley

The Associated Press
NEW YORK — Pyotr G. Griorenko, a former Soviet major general whose book "Memoirs" offers a rare glimpse at generations of Kremlin leaders, says Yuri V. Andropov, the Soviet Union's new leader, probably will free some jailed dissidents soon as a gesture to the West.

"But there is no doubt the repression then will be stepped up," he said. "You must understand: The new head of the government is a cop."

The 75-year-old exile, long one of the Soviet Union's best-known dissidents, was interviewed at his home in Long Island City, a grimy industrial corner of New York City.

He has been in the United States since 1977, when he left Moscow for medical treatment and the Soviet government stripped him of his citizenship.

"Memoirs," just published by W.W. Norton & Co., details a life crowded with history — a childhood amid the fury of revolution, a fervent communist young manhood, combat commands in World War II, postwar disillusionment, a daring personal campaign for democracy and, finally, suppression.

In the early 1970s, General Griorenko was put in psychiatric prison for four years because of his protest activities. He was diagnosed as suffering from paranoia "with the presence of reformist ideas." Three American psychiatrists later found him to be mentally sound.

He never met Mr. Andropov, who headed the KGB secret police from 1967 to 1982, but General Griorenko's wife, Zinaida, once tangled with Mr. Andropov for an hour.

In 1972, she asked for an appointment with the KGB chief to appeal for her husband's release. When she arrived at KGB offices, she was met by a man she recognized as Mr. Andropov but who identified himself as "Yuri Andrievich Yuriev."

"He said, 'Why come to us? The doctors should handle the general's case,'" she recalled.

"I told him, 'Both you and I know my husband is normal.' And he said, 'O.K., let's talk about his future.'"

Mr. Andropov wanted to know what her husband would do if he were released. Mrs. Griorenko said, "I told him he would probably write a history of the Second World War," a project suggested to him by Alexander I. Solzhenitsyn.

"Oh, no, he won't!" Mr. Andropov replied, according to Mrs. Griorenko. "History is also a kind of politics."

She described Mr. Andropov as "very, very smooth. He tried to be nice." But her husband was not freed for two more years.

General Griorenko said he expected Mr. Andropov, who succeeded Leonid I. Brezhnev, to

"make a show for the West" and allow Andrei A. Sakharov, a prominent dissident, to return to Moscow from his banishment in Gorky or to free some seriously ill dissidents from prison.

"But then he will return to the old line he followed at the KGB — suppressing dissent," he said.

General Griorenko acknowledged that the dissident movement has been hit hard by a crackdown on the Helsinki Watch human rights groups in Moscow and other Soviet cities.

"But the movement is changing its form," he said. "There is now a Soviet pacifist movement, there are growing nationalist movements among minorities, and the dissident religious movements are very widespread."

His 6-foot-3 frame is now bent with age, and he trembles from Parkinson's disease, a nerve disorder. But he remains alert, speaking in a forceful baritone.

He was interviewed through an interpreter in his simply furnished fifth-floor apartment, in a living room full of books and memorabilia, Russian icons and Tchaikovsky records. He and Zinaida, his second wife, care for his eldest son, Oleg, an invalid. Another son lives with his family nearby.

General Griorenko's "Memoirs" seeks to puncture some official myths about Kremlin leaders.

Although Mr. Brezhnev was adulated as a World War II hero, General Griorenko, who served with him, writes that Mr. Brezhnev avoided the battlefield. "But they still depict things as if Brezhnev had himself led an attack."

Marshal Georgi K. Zhukov, the renowned World War II general, was poorly educated in military science, made "childish" mistakes and was "cruel and vengeful."

Nikita S. Khrushchev, a commander in the midst of an important World War II battle, "acted like a child, frightened" and contributed to a Soviet defeat. Later, as prime minister, he stripped the dissident Griorenko of his military rank but at the last minute declined to sign the potentially illegal decree. A fellow Politburo member signed it instead.

This is a Grand Slam

NORTH(D)			
♦AKJ1098			
♥AJ10			
♦AK8			
♦A			

WEST			
♦Q542			
♥Q962			
♦1074			
♦86			

EAST			
♥73			
♦952			
♦Q109532			

SOUTH			
♥K754			
♦Q63			
♦KJ74			

The bidding was:

North	West	South	East
2♣	Pass	2♣	Pass
2♠	Pass	3♣	Pass
3♠	Pass	3N.T.	Pass
4♣	Pass	4♣	Pass
7♣	Pass	Pass	Pass

NORTH(D)			
♦AKJ1098			
♥AJ10			
♦AK8			
♦A			

WEST			
♦Q542			
♥Q962			
♦1074			
♦86			

EAST			
♥73			
♦952			
♦Q109532			

SOUTH			
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2♠	Pass	3♣	Pass
3♠	Pass	3N.T.	Pass
4♣	Pass	4♣	Pass
7♣	Pass	Pass	Pass

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U.S. Might Change Arms Stance If MX Is Rejected, Reagan Warns

By Michael Getler

Washington Post Service
WASHINGTON — President Ronald Reagan has warned that if Congress does not approve his MX missile there will have to be a "reassessment" of his strategic arms reduction proposals made to the Soviet Union at Geneva.

The president laid out his views in a letter this week to Representative Jack Kemp, a New York Republican. Mr. Kemp had earlier urged Mr. Reagan to consider suspending U.S. participation in the strategic arms reduction negotiations — or START talks — and related negotiations over European-based nuclear missiles if Congress did not support both the long-range MX missile and the intermediate-range Pershing-2 missile meant for deployment in Western Europe by the end of this year.

Funds for both were contained in the special session of Congress in December.

President Reagan, in his response to Mr. Kemp, emphasized that his START proposals for deep reductions in the long-range missile arsenals of both sides were based on the assumption that the new

MX missile would actually be deployed.

Administration officials indicated Thursday that this was meant as a warning to MX critics that if they kill the missile they could also cause a "very lengthy" reassessment of the U.S. position at the Geneva talks and thereby delay the arms control process, which many MX opponents support.

Mr. Kemp wrote the president as Congress last month was rejecting administration requests for \$988 million to begin production of the MX. That rejection came largely because the lawmakers lacked confidence in the administration's proposed "dense pack" basing plan, in which 100 of the missiles would be deployed in a relatively tight cluster at a Wyoming air force base.

The administration has appointed a commission to study the basing question.

The president's letter also contains some of the clearest language yet used by the White House to make the point that the MX missile is not meant to be given away as a bargaining chip in negotiations with the Soviet Union.

The START negotiations deal

with intercontinental missiles and bombers, while the other set of talks attempts to limit intermediate-range nuclear weapons based in Europe.

In his Jan. 4 letter, which administration officials made available, President Reagan gave no indication that he would break off the talks, and aides said that is unlikely.

But he added that the U.S. proposal at START for sizable reductions in missiles and warheads on both sides "is based on the assumption that our force structure will include MX 'Peacekeeper' ICBMs in a survivable basing mode. We certainly could not accept a situation wherein all of the Soviet missiles permitted were recently deployed modern systems, while ours were all far older."

Mr. Reagan then invoked this assessment by Edward L. Rowley, the chief U.S. strategic arms negotiator: "There is no question that a failure to fund and deploy the MX would have a serious impact on our future force structure and would handcuff our negotiators and require a reassessment of our START proposals."

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Quiet Lesson in State Politics

New Jersey Mandates Silence, or Is It School Prayer?

By Michael Norman

WEST CALDWELL, New Jersey — At 9 a.m. Thursday, Ann Pancila, secretary to the principal of James Caldwell High School here, speaking into a public address system, asked for the attention of the school's 754 students and, in a clear and authoritative voice, proclaimed: "We are now going to observe one minute of silence."

In Room 512, some of the 17 students sat quietly, a few fidgeted in their seats, a couple of them giggled.

Their class on the methods and procedures of the U.S. Supreme Court had just come to a close. On this particular day, the students had spent the preceding 45 minutes discussing prayer in the public schools and New Jersey's new law mandating a moment of silence.

It had been a spirited discussion, in some ways much like the one that took place in the New Jersey Senate on Dec. 16 when the legislators overrode a veto by Governor

Thomas Kean and the moment of silence became state law.

Since then, the law and the swirl of opinion surrounding it have been taken up in many forums. The American Civil Liberties Union of New Jersey says that on Monday it will file suit in Federal District Court in Trenton to challenge it, arguing that the moment of silence is really an effort to introduce prayer in the public schools.

The law is succinct: "Principals and teachers in each public elementary and secondary school of each school district in this state shall permit students to observe a one-minute period of silence to be used solely at the discretion of the individual student, before the opening exercises of each day, for quiet and private contemplation or introspection."

In Room 512, there was little quiet, some private contemplation about coming tests and at least one moment of religious introspection. "I won't deny that I do pray," said

Brian Kleppe, 17, a Roman Catholic. "I don't think there's anything wrong with it."

Like most of her classmates, Sharon Connolly, 17, watched the clock. There is a private joke in Room 512 about the varying duration of a minute of silence. The principal's secretary, it turns out, sometimes observes a 30- or 45-second minute before she calls for the Pledge of Allegiance. On Thursday, the minute of silence was a minute and eight seconds.

"For me I have to be alone to pray," Miss Connolly said. "I can't concentrate on God when there's all these people around. There's no law that says everyone has to be quiet."

The students in Room 512 were not the only ones this week who were confused about the meaning of the new law and exactly what it does and does not demand. The state's Education Department simply passed the text of the bill to each district — most of which implemented the moment of silence this week, after the holiday recess — and left it up to local school officials to interpret it.

In nearby Montclair, for example, there is no formal call made at the beginning of the day. "The statute does not require any formal announcement," said Superintendent Mary Lee Fitzgerald. "We have simply told the principals to tell the teachers that nothing should interfere with a student's right to observe it."

The executive director of the ACLU, Jeffrey Fogel, said his group would challenge the law on the basis that it violates the First Amendment to the Constitution, which prohibits a legislative body from making a law "respecting the establishment of religion."

One of the plaintiffs in the suit will be Jeffrey May, a high school physics teacher in Edison who refused to observe the minute of silence in his homeroom class.

According to Mr. Fogel, Mr. May was "threatened with disciplinary action for his insubordination" and relieved of his homeroom duties.

Mr. May's sentiments are shared by Richard Woudenberg, the teacher in Room 512, but despite his convictions, Mr. Woudenberg did not hear an inner voice that called him to civil disobedience.

"I see this as an ominous intrusion by the religionists," he said. "But it's a law that doesn't require any action on my part. I don't have to be an actor in this little drama."

Instead, Mr. Woudenberg turned a controversy into a lesson and made a minute of silence the meat for 45 minutes of debate.

In his office, Frank Gambelli, the principal, paused for a moment to reflect on the new law and to offer a rhetorical question.

"Is it," he asked, "indeed for the kids to use as they see fit? Or is it a veiled attempt to get prayer into the public schools? God only knows."



FIRE AND SMOKE IN NEW JERSEY — Flames and billows of smoke rose from a Texaco fuel tank farm in Newark, New Jersey, after a storage tank ruptured and exploded early Friday, setting three other tanks on fire. One person was killed, at least 23 were injured and one person was reported missing in the blast.

U.S. Governors Blame Recession For States' Poor Fiscal Condition

By Robert Pear

New York Times Service

WASHINGTON — The financial condition of most states deteriorated last year, mainly as a result of the recession, the National Governors' Association has reported.

Nine states, including California, New York, Pennsylvania and Wisconsin, expect to end the current fiscal year with large deficits unless they increase taxes or sharply reduce spending, the governors' report said Thursday.

Adding up the projections of state budget officers, the governors' association said that states would have an aggregate budget deficit of nearly \$2 billion in the current fiscal year. This, it said, represented a "dramatic change" from the experience of the last two years: a cumulative surplus of \$4.8 billion in the fiscal year 1981 and a surplus of \$2.4 billion in the fiscal year 1982.

Forty-one states responded to questionnaires sent out by the governors' association in its ninth annual survey of state fiscal conditions. The results, according to the report, are "by far the bleakest yet."

Governor Scott M. Matheson of Utah, the chairman of the National Governors' Association, said that the recession had had a "devastating" effect on state finances. "We are cutting into the fiber of basic services now," Governor Matheson, a Democrat, said in an interview. "Social programs are dying on the vine where they are absolutely needed."

This year's survey was notable because it found less regional variation in financial problems. Sun Belt states of the South and the West joined older industrial states of the Northeast and Middle West in reporting fiscal difficulties.

In the 41 states, totals for the current fiscal year are now expected to total \$137 billion, which is \$7.9 billion less than state officials were predicting just six months earlier. Such large changes in state revenue estimates are unusual, according to a spokesman for the governors' association.

The recession that began 18 months ago is the most important factor in the deterioration of state finances, the report said. "The recession has placed major demands on unemployment compensation funds at the same time that the recession has depressed revenues to such funds from payroll taxes."

The reduction of inflation has often been described as one of President Ronald Reagan's major economic achievements. But with inflation lower than they anticipated, state officials report that sales tax collections, a major source of revenue for most states, have fallen below expectations.

State government spending has not declined as much as sales tax revenues, they said.

The report describes various austerity measures taken by states to deal with their financial problems.

Of the 39 states responding to this part of the questionnaire, 32 said they had reduced state spend-

ing across the board or in selected programs. Twenty-two states increased taxes or user fees permanently or temporarily. Thirty-three said they had imposed hiring limitations: 18 laid off state employees, and eight states initiated furloughs.

In many states, governors have recommended or will soon recommend additional austerity measures to balance the budget. Legislatures are meeting this year in every state, and governors are beginning new terms of office in 36 states.

For example, genes for fast growth that normally are active only during the time an animal is an embryo, might create the abnormal growth that characterizes tumors if they were turned back on in adult cells.

Also, the genes that fetal cells use to invade others to force the development of the body's organs are still present throughout life, but are turned off. If those genes are turned back on, a normal cell might again invade neighboring cells, as tumor cells do.

In their work reported in the Jan. 7 issue of the journal, *Nature*, Mr. Feinberg and Bert Vogelstein took both normal cells and tumor cells from the colon, lungs and liver in five cancer patients.

They checked three genes in each of the cancer cells — two for blood manufacture and one that makes human growth hormone. Each of the three genes is normally turned off by being "covered up" or "methylated" with chemicals called methyl groups. This happened in the normal cells of the patients which the scientists studied.

But when they took tumor cells from the colon, lung and liver tumors in the patients, the same three genes were not covered in four of the five patients. The genes were "demethylated" or freed of their chemical bondages in the tumors, and thus conceivably ready to be active genes invading inappropriate cells.

The difference between the same genes in normal and tumor cells suggested at least one important way cancer can occur — demethylating genes such as those for growth or, in the case of rapid embryo growth, for invasion of other cells.

Mr. Feinberg and Mr. Vogelstein said the general theory is especially attractive because it may explain several unusual features of cancer.

Cancer cells can move from one body organ and invade another. This is bizarre behavior for normal adult cells, but it is common in the cells of embryos. So, if the genes that cause migration in embryos were turned on again in adults, the transport of cancer cells could be explained.

Officials said they have no evidence that the woman, Patricia Bennett, 31, was the victim of a random killer. But the U.S. Food and Drug Administration renewed its warning to buyers of nonprescription drugs to beware of containers that might have been tampered with.

Seven persons died in the Chicago area last fall after swallowing Tylenol capsules containing cyanide. No one has been charged with those poisonings. Several other poisonings involving a variety of off-the-shelf drugs have been reported in other cities since.

Mrs. Bennett is the first of those victims to die.

A member of the sheriff's office said that investigators have reason to believe that Mrs. Bennett was a specifically intended victim.

Investigators said that they administered polygraph tests Wednesday to Mrs. Bennett's husband, Norman, 45, and her mother, Goldie Mitchell, 72. They declined to disclose the results.

An investigator said the family was cooperating fully. "They are taking the lie detector tests voluntarily, at our suggestion," he said.

"This is, from our perspective, a single, isolated tragedy," said William Brady, the state medical examiner. He said he was not sure whether the recall of Anacin-3 capsules.

U.S. Says Death Rates Declined for All Ages Except Young Adults

By Christine Russell

Washington Post Service

WASHINGTON — Advances in combating heart disease, stroke and cancer have led to a significant decline in death rates for Americans of all age groups except young adults, who are dying at greater rates because of automobile accidents, homicide and suicide, the government reported Thursday.

Since 1976, according to the annual Department of Health and Human Services report on the nation's health, death rates have increased among young men and women aged 15 to 24 because violent deaths now account for three-fourths of the fatalities of young people. In 1950, such deaths accounted for half of the fatalities.

While auto accidents are the leading killer among young white adults — accounting for 40 percent of all deaths in the group in 1979 — homicides are most likely among young blacks, the report said.

While deaths of young blacks have long been proportionately higher than among young whites, the gap appears to be closing, the statistics show. This was attributed to a decreasing number of homicides and non-auto accidents among blacks and an increase in car accidents among whites, the report said.

Overall, the risk of dying is three to five times higher among young males of both races than among their female counterparts.

In general, the report showed that Americans are taking better care of their health, with more quitting smoking and being screened for high blood pressure. A greater percentage of women seek prenatal care early in their pregnancies, the government said, and their children are more likely to be immunized against childhood diseases.

But despite gains in access to health care from the mid-1960s to 1980, blacks and other minorities still have lower life expectancy. And, the report said, the death rate for black babies is still nearly twice as high as for white infants.

The 1982 "Health, United States" report, compiled by the National Center for Health Statistics, also showed:

• After a rapid decline, U.S. birth rates have increased gradually since 1976. The trend is attributed to the postponing of childbirth by many women.

• Life expectancy continued to increase through 1979, to 69.9 years for men and 77.6 years for women. But preliminary data for 1980 showed a slight decrease, attributed to an influenza epidemic that year.

• Declining death rates for heart disease and stroke helped account for the drop in mortality among adults aged 25 and older. Since 1950, mortality has fallen by about a third among those 25 to 44 and about one-fourth among groups over 44.

• Death rates for cancer declined over the last decade for those under 50, but increased for older people.

• The ratio of doctors to patients reached a record high of 29 per 10,000 population in 1980 and is expected to increase over the next decade.

• Health care expenditures continued to skyrocket, to \$286.6 billion in 1981 — an average of \$1,225 per American, or 9.8 percent of the gross national product.

Massachusetts led the country in per capita personal health and hospital care spending. The lowest spending for personal health was in South Carolina and for hospital care in Idaho.

Crucial Cellular Change Identified, May Be Key to How Cancer Works

By Philip J. Hiltz

Washington Post Service

WASHINGTON — Two Johns Hopkins University researchers have identified a crucial change that occurs when normal cells turn into tumor cells, a change that could be a key to how cancers work, according to a report published in a scientific journal Friday.

The change is new evidence that supports the widely held belief about the nature of cancer — that cancer cells are simply normal cells with a few "damaging," normally inactive genes that somehow are freed and turned on again.

"Whatever cancer is," said Andrew Feinberg, one of the researchers, "it has to do with turning on genes that should be quiet."

For example, genes for fast growth that normally are active only during the time an animal is an embryo, might create the abnormal growth that characterizes tumors if they were turned back on in adult cells.

Also, the genes that fetal cells use to invade others to force the development of the body's organs are still present throughout life, but are turned off. If those genes are turned back on, a normal cell might again invade neighboring cells, as tumor cells do.

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Death for All Young Army

Formalecy Returning to Chad, but Goukouni Builds Army in North

By Leon Dash

Washington Post Service

JAMENA, Chad — Minor

ness, long absent here, attest to

his return to a tenuous tran-

s-

instance, two dozen persons

g lunch at the swimming pool

at Hotel Tadienne found it

at all extraordinary to be

ing the new life guard under-

in hourlong training session,

long ago the life guard's train-

for expected bathers would

been viewed as misplaced

sidence in the future.

low, six months after Hissène

re's victory in the latest round

the country's 17-year civil war

his installation as president,

of Chad has begun to settle

the routine of peace.

Water pressure is up, there is

tricity 24 hours a day, and

y're fixing the street lights," said

longtime American resident

told some of the things that

e given both him and his Chad-

wife hope that the fighting has

ally ended.

But it is still unclear if the pres-

calm is but another lull.

In Chad's northwest Tibesti

mountains, according to African

plomatic sources, Goukouni

saddi, the president ejected

Mr. Hissène in June by Mr.

abre's forces, is rebuilding his

ivate army with the help of Libya

a town called Bardai.

The Libyan leader, Moamer

adhafi, whose soldiers have oc-

curred the Chad-Libyan strip

of Bardai for the last decade,

s hinted that he is ready to be-

come militarily involved in Chad

in an invasion and yearlong mili-

tary occupation in support of Mr.

Goukouni.

Colonel Qadhafi, who inter-

vened in 1980 and 1981, is said to

ave rounded up thousands of

hadians working in Libya and

ent them to northern Chad to be

trained as the core of a new army

or Mr. Goukouni. "We think they

ave about 6,000 men," said a sen-

ior Egyptian diplomat.

The same diplomat and others,

however, said that despite Colonel

Qadhafi's blustering, they doubt

that he would want to invade Chad

again. "The last one cost him a lot

in men and matériel," said a West-

ern military source, "and it was not

popular at home."

The moderate states of Egypt,

Sudan, Saudi Arabia and Morocco,

all close allies of the United States,

have been some of Mr. Hissène's

staunchest backers. Indeed, both

the United States and France,

Chad's former colonial ruler, have

been interested in shoring up Chad

as a buffer against Colonel

Qadhafi's pan-Islamic expansionist

dreams.

A Western military source said

that French military officers have

indicated that France will assist

Mr. Hissène with arms if a force led

by Mr. Goukouni and backed by

the Libyans or the Libyans them-

selves again attack Mr. Hissène

as they did in late 1980, chasing him

out of Nijamena.

Mr. Hissène's military officers

have repeatedly asked U.S. diplo-

matic officials for assistance in

arms and training.

An informed Western military

source said that U.S. diplomats

have told Mr. Hissène's officials that

they would supply only humanitarian

aid and agricultural development

assistance.

The U.S. Agency for Interna-

tional Development is in the pro-

cess of reopening its mission here

after hastily evacuating its staff

during the heavy fighting in

Nijamena almost three years ago.

Due to non-government develop-

ment expert, with long experience

in Chad, said that the reopening of

AID's mission "comes from seeing

that Mr. Hissène's government is

trying harder," than Mr.

Goukouni's "faction-riddled gov-

ernment ever did."

Fighting first erupted in Chad,

a poor, landlocked, semi-arid coun-

try of four million in central Africa,

in the mid-1960s when factions of

northern Muslims attacked the

government then controlled by the

country's southern Christian

black.

The northerners accused the

southerners of not giving them an

equal share in government and of

corruption and repression. The

fighting raged across Chad until

the southerners were decisively de-

feated in fierce fighting in Nijame-

na in 1979. Then the 10 Muslim

factions, five of which had private

armies, formed a weak, uneasy co-

alition government.

In early 1980, Mr. Hissène's high-

ly disciplined forces fought all the

Muslim factions in Mr.

Goukouni's government and their

allies, the southerners, in bloody

encounters in Nijamena. Nine

months into the fray, Mr. Qadhafi

intervened at Mr. Goukouni's in-

vitation and the Libyans chased Mr.

Hissène out of Nijamena, west into

neighboring Sudan.

However, in September, Mr.

Hissène finally defeated the last

of Mr. Goukouni's supporters in

southern Chad. In October, Mr.

Hissène formed his government,

bringing 14 southerners into his 31-

member cabinet as a major recon-

ciliation effort.

And in November, the OAU's

second effort in four months to

meet in Libya broke down com-

pletely over the issue of which

Chadian delegation should be seated.

Mr. Goukouni's or Mr. Hissène's.

Although the fighting has

stopped for now, Chad still has

many difficulties to overcome.

A major drought hit some areas

and the inability to plant in others be-

cause of the fighting has spurred

Western nations to bring in emer-

gency food shipments.

At a UN-sponsored conference

on Chad in Geneva at the end of

November, attended by virtually

every international aid agency,

more than \$287 million was

pledged to help the country recov-

er.

The agency said that Angolan

journalists had recently been taken

to visit the brigade and talk to its

commanders, who had shown them

arms captured from UNITA.

In its account of the clashes,

UNITA had said the fighting took

place when the Angolan Army

tried to attack Mavinga, UNITA's

forest hideout in the province.

Foreign missionaries captured

by UNITA have said after their re-

lease that the southeastern part of

Angola was the only area of the

country in which they saw UNITA

regular forces move freely.

In spite of its triumphal note, the

Angop report did not claim a com-

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that the Angolan Army offensive

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Gandhi's Setback May Herald New Era

By William K. Stevens

New York Times Service

NEW DELHI — For months

now, as Prime Minister Indira

Gandhi's Congress-I Party has fallen

steadily toward ruin and its off-

holders' reputation for uncaring

incompetence and outright venality

has been just as steadily growing,

and as the opposition has seemed

paralyzed, the talk in this political-

ly obsessed capital has been down-

right gloomy.

Long gone are the glory days of

the old Congress Party of Mrs.

Gandhi's father, Jawaharlal Nehru,

which created the Indian republic

and launched it on what was seen

as a great adventure in democratic

nationalism. Yesterday's adventure

has become today's demoralization

— a favorite word about town at a

time when the world's largest de-

mocracy has seemed to be in a per-

petual state of political drift.

Thursday, the drift may have

ended with the revelation of the

crushing defeat inflicted on Mrs.

Gandhi's party in assembly elec-

tions in the states of Andhra Pr-

adesh and Karnataka, where it had

never lost. The losses, and their

magnitude, surprised and aston-

ished almost everyone. They are

sure to shake things up and likely

to mark the opening of a new

phase in Indian politics.

In the aftermath of the stunning

upset, one thing seemed clear: ei-

ther the Congress-I Party will be-

come more responsive to critics

and to dissidents within its own

ranks, or it will invite further dis-

asters and possibly even endan-

ger Mrs. Gandhi herself when she runs

for re-election two years from now,

at the latest.

On the surface, the Congress-I

defeat appears to be a personal set-

back for Mrs. Gandhi, and to some

extent it is. She put herself on the

line, campaigning long, hard and

energetically in Andhra Pradesh

against Nandamuri T. Rama Rao,

the movie-idol-turned-politician

who leads a nine-month-old regional

opposition party called Telugu

Desam. Mrs. Gandhi's son, Rajiv,

who is widely regarded as her heir

apparent, also campaigned against

Mr. Rama Rao.

The result: The Congress-I Party

won only 59 seats to the Telugu

Desam's 198, dealing a severe with-

in to Mrs. Gandhi's formidable

reputation as a vote-getter for oth-

ers.

Mrs. Gandhi was saying nothing

publicly Friday about the setback.

But Vasanitadas Paul, the Con-

gress-I Party secretary, minced no

words. "We never expected this

result," he said. "We thought it

would be difficult but never such a

defeat. It is a very bad beating. We

have fallen from the highest pedes-

tal to the lowest step. It reminds

one of the way we were defeated in

INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

Here Comes Fusion

In its first test, shortly before dawn on the day before Christmas, the new Tokamak Reactor at Princeton University produced a plasma of superheated gas. It means that the machine works. That brief test, in itself, was a technological triumph of a very high order. But it is chiefly significant as another important step toward the production of energy by nuclear fusion. Now comes a long series of further tests and refinements that will gradually increase the temperature and duration of the plasma. The next great goal is the break-even point, at which the fusion process generates as much energy as it requires. The Princeton physicists hope to be there by 1986.

The fuel for this machine is hydrogen, as common as water. The principal product of the reaction is helium. While this line of experiment has immense interest for physical theory, its substantial costs are borne by a government that, like others around the world, is looking for an alternative to the uranium-plutonium fuel cycle of the other nuclear technology, the fission process by which the present reactors operate. Americans, Russians, Europeans and Japanese are all working hard on fusion as the route by which to escape the day when uranium might be scarce and its desperately dangerous fission product, plutonium, will be all too plentiful.

For the past several years there has been much quarreling in Washington over the proper purposes of federal aid for scientific research and development, particularly in the

area of power generation. The fusion reactor is the leading example of the kind of work for which the case for federal support is beyond argument. It is expensive — the government will put nearly half a billion dollars into the field this year — and commercial application is utterly unlikely for half a century. But there is a great deal of real value to be learned from the experimentation now successfully launched. And it now seems highly probable that a point will come, sometime in the next century, when this technology will be worth any price as the alternative to other and far more dangerous technologies now in prospect.

That reference to dangerous technologies includes not only the plutonium breeder reactor but also the conventional coal-fired generator. The implications of rapidly expanding use of coal, both for human health and for the global climate, are now clear enough to invite real doubts about the wisdom of encouraging it indefinitely. But surely the most dangerous of all these competing methods is the breeder reactor, with the production of plutonium on a commercial scale. A divided Congress, by the narrowest possible margin, has just appropriated money to begin building the prototype Clinch River Breeder Reactor. Congress was wrong. Going ahead with the breeder is an intolerably risky path to follow. Does not the highly promising test of the Tokamak machine provide still another compelling reason to rule out those risks and to kill Clinch River?

—THE WASHINGTON POST.

Upside-Down Fibers

In childhood we thought that people on the other side of the world lived upside down. Presumably Chinese children think the same of Americans. And what must they think now that China's communist government is giving lectures in free market theory?

China has learned that theory so well that it is accusing the United States of erecting unfair barriers to its textiles. If Washington persists, it warns, China will retaliate.

Well, the Chinese are right, of course — theoretically. But their innocence must be feigned. As they well know, the textile trade has never been free.

Textiles offer the classic model of how protectionism arises. They are essential to the human race, and every society can make them. A textile industry emerges at the early stages of industrialization. That creates trouble for the more advanced countries, whose free-market makers then quickly lose enthusiasm for "healthy competition." The United States forced "voluntary quotas" on Japan two decades ago. The rising wall of restrictions was universally enshrined in 1974 in the Multi-Fiber Arrangement, an international pact for limiting textile competition.

When the United States and China resumed formal trade relations in 1979, Americans were in no sense grateful that Chinese wages

made Chinese shirts and sweaters so much cheaper than their own. To qualify for non-discriminatory tariffs, the Chinese had to agree to limit textile sales.

Trade in general has flourished under this deal, rising from \$1.1 billion in 1978 to more than \$5 billion in 1981 and 1982. But Americans sell goods to China worth twice as much as those the Chinese sell in America. The Chinese understandably want to narrow the gap, pointing out that much of it results from their purchases of American cotton, thread and synthetic fibers — the very stuff of textiles.

A paradox, but of no political weight. Now that it is time to renew the textile deal, America is bawling more or less to the guidelines of the Multi-Fiber Arrangement, which the Chinese never signed. They have been offered an increase of about 14 percent a year in the regulated categories of textile sales, considerably more than the allowances already negotiated with the three major suppliers — Hong Kong, Taiwan and South Korea.

But the Chinese want more. It is heartening to find them so capitalist-minded. And it is disheartening to have to remind them that when it comes to textiles — and increasingly to other goods as well — capitalists do not play the game by their own free-market rules.

—THE NEW YORK TIMES.

Slowly on Guatemala

A determined military regime, like Poland's, can usually impose a social peace of sorts, but few Americans would say this meets their human rights standard. Yet admirers of Guatemala's military regime, including President Reagan, make just this case to justify selling arms to a country with a dreadful human rights record over the past year.

The apologists for President Efraim Rios Montt concede that he has dealt brutally with Indian villagers suspected of aiding Marxist guerrillas. But they say that since seizing power last March he has pacified the country side. Similar brutality led the United States to deny Guatemala new arms deals after 1977. If

the insurgency has nonetheless been put down, why the rush to reward the regime's tactics?

The Reagan administration's answer is that new arms sales can encourage liberalization. With the aid of the United States, Gen. Rios Montt is thought more likely to redeem his promise to hold genuinely free elections and turn himself into a true social reformer.

The State Department claims that a technicality in the law permits the sale of spare parts for cash without the express consent of Congress. That may be so. But until there is more evidence of Guatemala's direction, such help is unwise and premature. He should earn it.

—THE NEW YORK TIMES.

Other Opinion

The Kremlin Behind Agca?

Nothing is proved conclusively. But an aura of gravest seriousness lies over the charges brought by the Italian government that the attempt to murder the pope in St. Peter's Square made by Mehmet Ali Agca involved the knowledge and the initiative of the Bulgarian government and secret police. The pope is of course identified with the people of Poland. And threats made in 1981 that he might return to Poland if the freedoms which that country had won were foreclosed by invasion would have been hugely embarrassing. Now, if the allegations should prove to be true — and one speaks with circumspection — it goes beyond the realms of possibility that Bulgaria, the most subordinated of all East European countries, was acting on her own account. The pope is Russia's problem. This was accentuated by his ringing New Year's day message, which specifically argued against the tragic

fallacy of one-sided nuclear disarmament. The pope in the Vatican has a very cool grasp of the realities of power and he is providing the West with those Central European eyes which she needs to see clearly.

—The Daily Telegraph (London).

"A struck dog always howls" is the folk maxim that comes to mind every time an official Soviet publication indignantly denies a Soviet hand in the attempted murder of Pope John Paul II. The chain of evidence now called the "Bulgarian connection" is circumstantial and sketchy. It may remain sketchy, since there is no Freedom of Information act in the Soviet Union. But wherever power is absolute, or as nearly absolute as it is in the Soviet Union, one need not seek some special corruption of the human spirit. It is enough to recall Lord Acton's famous warning that "absolute power corrupts absolutely."

—Edwin M. Yoder in The Washington Post.

FROM OUR JAN. 8 PAGES, 75 AND 50 YEARS AGO

1903: Parisians Still Litter

PARIS — The new receptacles placed at the corner of the Place de l'Opera and the Boulevard des Capucines, in which old newspapers and rubbish may be thrown, do not seem to have met with any happier fate so far than the boxes for tickets at the exits of Metropolitan stations. A newspaper vendor in the immediate vicinity said that Parisians were inclined to laugh at the receptacles and continue their habit of throwing newspapers and rubbish on the sidewalk. As they have been in place only a short time their advocates believe that the public may not fully understand their use. When it is realized, however, what they are there for, the public's attitude may change.

1933: The Decline in Trade

PARIS — How rapid has been the decline of world trade during the last three years is shown by the "Review of World Trade," published by the financial section of the League of Nations. The importing capacity of the agricultural countries has been so seriously diminished that the export industries of the industrial countries have suffered severely. Further danger to world trade has resulted from the imposition of quantitative import quotas and contingent restrictions. A section of special interest is devoted in this review to changes in the balance of trade for a number of countries, showing that the decline of world trade has greatly aggravated the financial crisis.

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1982 Lessons: One Economic World, for Sure

By J. W. Anderson

WASHINGTON — Compared with its condition a year ago, the American economy is probably in less danger now — in the sense, at least, that the dangers are more visible. More people are aware of them and are trying to deal with them.

There is no longer the easy sense that the United States is only passing through another routine recession that will shortly cure itself. The questions for 1983 are pretty clear:

- Will interest rates continue to fall far enough to allow a recovery of production and employment? Or will fears of budget deficits and inflation keep interest rates high?

- Will governments keep their markets open to foreign trade? Or will they cave in to the shrieks of threatened industries and clamp down on imports — continuing the past year's worldwide spiral of lost export sales and lost jobs?

- Will the fragile status quo survive in the Gulf region? Or will further war and revolution tip it over again and plunge the world into its third oil crisis on the 10th anniversary of the first one?

- How will Americans cope with the enormous structural change in their economy, and the decline of the traditional labor-intensive heavy industries like autos and steel? Will they demand last-ditch attempts to prop up the sinking giants? Or find ways to move people into other kinds of jobs with better prospects?

For the past three years the United States has been struggling to choke off the great surge of inflation that began during the Vietnam War. It is turning out to be much harder than most people had expected.

The Reagan administration was not well equipped in most of its first two years to deal with an international recession. As to policy, its doctrine was a cheery assurance that the best way to deal with the world was to get a U.S. recovery going. The administration has only gradually come to understand the extent to which the international and domestic economies influence and constrain each other. A stable recovery in America, while other nations' economies continue to decline, is not possible.

In terms of people, the original Reagan administration was very short at the top level of international economic and financial experience.

Last spring the White House was mainly interested in its campaign to block the Soviet gas pipeline. Largely because of that, the Versailles summit meeting on economic policy in June was sour and unsuccessful.

At Treasury, the incoming secretary, Donald T. Regan, arrived with no clear sense of the international situation, while his staff devoted itself mainly to a highly ideological struggle among the various denominations of supply-siders and monetarists. The undersecretary for monetary affairs

is usually the department's expert on international finance, but Beryl Sprinkel came to it with little previous experience in the field.

Now things seem to be looking up a bit. George Shultz, secretary of state since July, is an economist and a former secretary of the Treasury with a longstanding interest in the world economy. The new chairman of the Council of Economic Advisers, Martin Feldstein, seems to have a good deal more influence within the administration than his predecessor, Murray Weidenbaum, ever did.

In retrospect, it is evident that in 1973, just a decade ago, the rules of the game changed in ways to which the world has not yet adequately adjusted. It was the year when the major trading countries abandoned fixed exchange rates.

That affects their internal economies in unexpected ways. It links each country's movements more closely to other countries', making purely national policies harder and more expensive to carry out when they are not in harmony with international trends. You can see the effect in the deepening troubles of France.

As for the United States — not to mention West Germany, Belgium and the Netherlands — you don't

have to be an economist to see that the old Keynesian medicine of deficit spending to cure unemployment does not work as effectively as it used to.

And 1973 was also the year in which the price of oil quadrupled. The higher price of oil represented a loss of income to the countries that imported it, like the United States. But the United States, like most modern industrial democracies, is not well adapted to absorb losses in income. By consensus, the country had adopted a rule of social equity that, by law or custom, protects most kinds of income from erosion by higher prices. Most of its public financial commitments — Social Security benefits, to take one prominent case — were based on the confident expectation of steady and rapid expansion of the economy.

This is a dilemma that American society still has not resolved. Everybody claims a right to be kept more or less even with inflation and, where incomes are rigid, there is only one way in which economic decline like the current recession can be expressed. That is the most unfair way of all, through rising unemployment.

The expected 1982 recovery failed to materialize. One reason is that the July income tax cut had little effect;

spending for personal consumption has risen less than the forecasts expected. Further, business investment has fallen far short of the levels that the spring forecasts showed. Evidently interest rates will have to come still lower before investment revives.

Another reason, looming even larger, is the sharp drop in recent months of American exports to the rest of the world. That reflects the deepening recession in Europe and the anxious attempts of Third World countries to avoid running themselves further into debt. The International Monetary Fund has been calling attention to the sharp contraction in world trade, unprecedented in the period since World War II. The American unemployment rate shows that it is not only countries like Brazil and Nigeria that are suffering from that contraction.

The experience of 1982 reinforces lessons for this year:

- America cannot revive its economy as long as the rest of the world is deep in recession. The American economy is much too dependent on foreign markets to permit that.

- The world economy is not self-stabilizing. Markets can collapse, with consequences that not even the most committed of free market theorists can consider tolerable.

The Washington Post.

Lessons: Economists Didn't Know

By R.J. Samuelson

WASHINGTON — The year 1982 started bad and got worse. Any doubt about the rampaging craziness had vanished when the following dispatch tumbled from the wires of United Press International:

"LA PAZ, Bolivia, Sept. 3 — The Bolivian peso plunged to a new low, and banks halted trading in dollars nationwide as a reputed cocaine dealer offered a unique proposal to save this country from economic collapse."

"Robert Stages, alleged to be the world's top cocaine dealer, published an open letter to President Reagan Thursday offering to turn himself in if the United States pays Bolivia's \$4-billion debt."

First, lessons. We seem to be living in an era of declining economic understanding and rising (or, at any rate, maintained) expectations. The fashion today is to bemoan the fact that no theory — "supply-side economics," Keynesianism or monetarism — "works." But part of the problem is that we have come to expect miracles of economic "theory."

Collectively, the United States slipped into a tooth-fairy mentality that provided a release from the common-sense disciplines — keeping taxes and spending roughly in balance, maintaining money growth roughly

in line with production increases — that are necessary for a stable system. Paradoxically, belief in the extraordinary powers of theory created conditions in which no sensible theory could succeed. Economists became victims of their arrogance.

Meanwhile, they discovered that the boundaries of their understanding seemed to be receding, not advancing. One glaring area of confusion was interest rates. Economist Allen Sinai of Data Resources Inc. estimates that "real" rates — adjusted for inflation — averaged 15 percent between 1963 and 1969, 0.2 percent between 1970 and 1979, 2.5 percent in 1980 and 4.8 percent in 1981.

Why have they risen so high and stayed there? Why were they so low (indeed, negative) in the 1970s? Why have they varied so much? Few economists have good answers.

Perhaps volumes could be written on this reporter's 1982 mistakes. The present offering of humble pie will feature only two. The first was the acceptance of the consensus view of economists that the economy would begin to revive, if only slowly, in the summer of 1982. That was wrong.

The other point, made by a number of readers, involves the frequent

focus on the high wages of autoworkers without, in the critics' view, a balancing treatment of top management's compensation. Fair point.

A recent survey by the accounting firm of Arthur Young & Co. found that chief executives' compensation increased 14 percent in 1980 and 15 percent in 1981, when labor costs were rising about 9 to 10 percent each year. Without a bonus, Ford Chairman Philip Caldwell made \$440,000 in 1981. Did he deserve it?

One question about senior management of many large corporations is whether it has become a self-dealing class, insulated from ordinary realities and treating itself to extraordinary privileges. A sign was the proliferation in 1982 of "golden parachute" arrangements, under which top executives create rich severance agreements for themselves in the event of a hostile corporate takeover.

Of the future, there can be only questions. The consensus outlook is gloom, although perhaps, as in 1982, it will prove wrong. The real question involves the lasting effects of this global recession, clearly the worst since World War II. Has it shaken out the inflation of the 1970s or ushered in stagnation for the 1980s?

No one really knows. No amount of talking will provide a clear answer.

National Journal.

LETTER TO THE EDITOR

The U.S. and the IAEA

Regarding "At the IAEA, a U.S. Withdrawal May Be Coming" (IHT, Dec. 7) by John Timman:

I would like to add several footnotes to Mr. Timman's article. The "procedural scuffle involving Israel" to which Mr. Timman alludes involved a fundamental tenet of our foreign policy. At the general conference of the IAEA, a majority of the agency's members voted to reject the credentials of the Israeli delegation, clearly an irregular and illegal act. This egregious action involved not some procedural nicety, but a rejection by the members of a fundamental principle — that each member of the IAEA is entitled to exercise fully its rights under the agency's statute.

Nor was the IAEA rejection an isolated incident. It was followed by a motion to exclude Israel from the meeting of the International Telecommunications Union at Nairobi in October, and by an abortive attempt in November to deny it its rightful place in the UN General Assembly.

Our adherence to principle in the case of the IAEA, I believe, had a direct bearing on Israel's exclusion and moves against Israel at Nairobi and at the General Assembly.

Although the IAEA's rejection of Israeli credentials for the conference cannot be undone, the blatantly political action of the membership raises serious questions about the danger

A Collapse Becomes Thinkable

By Hobart Rowen

WASHINGTON — Depression. More and more, the dreaded word enters serious discussions. Wall Street's "Dr. Doom," Henry Kaufman, puts the odds against a global collapse in 1983 at only 6-1 or 7-1. Alan Greenspan, the former presidential adviser, sees it pretty much the same way, perhaps at 10-1 or 20-1, not the 1,000-1 bet against depression that these forecasters would have made just a few years back.

For the first time in the post-World War II era, the volume of world trade has contracted, putting a major burden on the Third World, which must sell its wares to the rich nations in order to survive.

The OECD said in a gloomy report recently that conditions in the industrial nations had "weakened to an unexpected degree." The Reagan administration has revised its growth estimate for this year in the United States to a mere 2 percent, while Europe expects even less.

A concomitant of the worldwide stagnation has been a serious recession to protectionism, as each country tries to do the impossible: increase its own exports and curtail imports from others. In an outrageous example of beggar-thy-neighbor tactics, France astonished its European trading partners by requiring that all imported video recorders be funneled through the tiny customs office of Poitiers, far from main ports.

As the industrial nations squabble over shares of a reduced world economic pie, it is easy enough to grasp what has been happening to the less-developed countries.

As the exports of the Third World countries decline and the prices they get for their commodities plunge, more of them have been unable to meet their payments on a world debt estimated at \$500 to \$600 billion, or five times the level in 1973 before OPEC launched the first of its two shock waves that have run the price of oil up 1,200 percent.

World Bank economist Chandra Hardy observes: "For most developing countries, their debt has become unmanageable. Some of them are in the absurd position of borrowing to pay interest. Therefore, the risk of default is rising precipitously. Right now, 90 cents out of every dollar borrowed by these countries goes into servicing debt — and for some of them, it's 100 cents."

And everywhere there is a default or a "rescheduling" of debt, some Western bank, whether it admits it or not, is taking it on the chin.

"There really is some risk of a breakdown in the system, which is apparent when you look at the international dimensions," says C. Fred Bergsten of the Institute for International Economics in Washington.

As Mr. Greenspan suggests, the crisis exists because no one knows for sure whether a rescue operation underwritten by the IMF and the major central banks can be organized in time to save the situation. "The danger is that the equivalent of a run could occur," Mr. Greenspan says.

Belatedly, the United States has joined with its European allies in backing a 50-percent increase in IMF resources. Cynical Europeans suspect that the United States, which all of last year fought such an increase "got religion" because the focus of the debt crisis has switched from Eastern Europe, where mostly Western European banks are involved, to South America, where U.S. banks are more highly exposed.

Beyond the repairs that the IMF may be able to manage, as the OECD report suggests, world leaders have to begin to focus once more on expansionary policies. How long can the social fabric in America and the key countries in Europe withstand the ravages of unemployment?

Naturally, the world looks to the United States, still the main single force in the global economy, to lead the way out of the mess.

"But there's a Catch-22 here," economist Kaufman observes. "Normally, you'd want to see some expansionary moves in Washington to fight the recession. But when you're talking of a budget deficit that is already \$200 billion, how much more expansionary can you make it?"

The Washington Post.

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Dow Jones Averages

Open	High	Low	Close	Change
101.48	101.54	101.38	101.48	+0.01
101.48	101.54	101.38	101.48	+0.01
101.48	101.54	101.38	101.48	+0.01
101.48	101.54	101.38	101.48	+0.01

Standard & Poor's Index

Open	High	Low	Close	Change
147.62	147.68	147.56	147.62	+0.06
147.62	147.68	147.56	147.62	+0.06
147.62	147.68	147.56	147.62	+0.06
147.62	147.68	147.56	147.62	+0.06
147.62	147.68	147.56	147.62	+0.06

Odd-Lot Trading in N.Y.

Jan. 5	Jan. 6	Jan. 7	Jan. 8
101.48	101.54	101.38	101.48
101.48	101.54	101.38	101.48
101.48	101.54	101.38	101.48
101.48	101.54	101.38	101.48
101.48	101.54	101.38	101.48

Market Summary, Jan. 7

NYSE	AMEX	High	Low	Close	Change
101.48	101.54	101.38	101.48	101.48	+0.01
101.48	101.54	101.38	101.48	101.48	+0.01
101.48	101.54	101.38	101.48	101.48	+0.01
101.48	101.54	101.38	101.48	101.48	+0.01
101.48	101.54	101.38	101.48	101.48	+0.01

Dow Jones Bond Averages

Jan. 5	Jan. 6	Jan. 7	Jan. 8
101.48	101.54	101.38	101.48
101.48	101.54	101.38	101.48
101.48	101.54	101.38	101.48
101.48	101.54	101.38	101.48
101.48	101.54	101.38	101.48

NYSE Index

Open	High	Low	Close	Change
101.48	101.54	101.38	101.48	+0.01
101.48	101.54	101.38	101.48	+0.01
101.48	101.54	101.38	101.48	+0.01
101.48	101.54	101.38	101.48	+0.01
101.48	101.54	101.38	101.48	+0.01

AMEX Stock Index

Open	High	Low	Close	Change
101.48	101.54	101.38	101.48	+0.01
101.48	101.54	101.38	101.48	+0.01
101.48	101.54	101.38	101.48	+0.01
101.48	101.54	101.38	101.48	+0.01
101.48	101.54	101.38	101.48	+0.01

AMEX Most Actives

Open	High	Low	Close	Change
101.48	101.54	101.38	101.48	+0.01
101.48	101.54	101.38	101.48	+0.01
101.48	101.54	101.38	101.48	+0.01
101.48	101.54	101.38	101.48	+0.01
101.48	101.54	101.38	101.48	+0.01

NYSE Most Actives

Open	High	Low	Close	Change
101.48	101.54	101.38	101.48	+0.01
101.48	101.54	101.38	101.48	+0.01
101.48	101.54	101.38	101.48	+0.01
101.48	101.54	101.38	101.48	+0.01
101.48	101.54	101.38	101.48	+0.01

Friday's NYSE Closing Prices

Tables include the nationwide prices up to the closing on Wall Street.

12 Month	High	Low	Stock	Div.	Yld.	P/E	50	200	Close	Change
46	54	46	AAR	2.74	4.24	10.00	100	100	101.48	+0.01
47	55	47	AAE	2.74	4.24	10.00	100	100	101.48	+0.01
48	56	48	AAI	2.74	4.24	10.00	100	100	101.48	+0.01
49	57	49	AAJ	2.74	4.24	10.00	100	100	101.48	+0.01
50	58	50	AAK	2.74	4.24	10.00	100	100	101.48	+0.01
51	59	51	AAI	2.74	4.24	10.00	100	100	101.48	+0.01
52	60	52	AAJ	2.74	4.24	10.00	100	100	101.48	+0.01
53	61	53	AAK	2.74	4.24	10.00	100	100	101.48	+0.01
54	62	54	AAI	2.74	4.24	10.00	100	100	101.48	+0.01
55	63	55	AAJ	2.74	4.24	10.00	100	100	101.48	+0.01
56	64	56	AAK	2.74	4.24	10.00	100	100	101.48	+0.01
57	65	57	AAI	2.74	4.24	10.00	100	100	101.48	+0.01
58	66	58	AAJ	2.74	4.24	10.00	100	100	101.48	+0.01
59	67	59	AAK	2.74	4.24	10.00	100	100	101.48	+0.01
60	68	60	AAI	2.74	4.24	10.00	100	100	101.48	+0.01
61	69	61	AAJ	2.74	4.24	10.00	100	100	101.48	+0.01
62	70	62	AAK	2.74	4.24	10.00	100	100	101.48	+0.01
63	71	63	AAI	2.74	4.24	10.00	100	100	101.48	+0.01
64	72	64	AAJ	2.74	4.24	10.00	100	100	101.48	+0.01
65	73	65	AAK	2.74	4.24	10.00	100	100	101.48	+0.01
66	74	66	AAI	2.74	4.24	10.00	100	100	101.48	+0.01
67	75	67	AAJ	2.74	4.24	10.00	100	100	101.48	+0.01
68	76	68	AAK	2.74	4.24	10.00	100	100	101.48	+0.01
69	77	69	AAI	2.74	4.24	10.00	100	100	101.48	+0.01
70	78	70	AAJ	2.74	4.24	10.00	100	100	101.48	+0.01
71	79	71	AAK	2.74	4.24	10.00	100	100	101.48	+0.01
72	80	72	AAI	2.74	4.24	10.00	100	100	101.48	+0.01
73	81	73	AAJ	2.74	4.24	10.00	100	100	101.48	+0.01
74	82	74	AAK	2.74	4.24	10.00	100	100	101.48	+0.01
75	83	75	AAI	2.74	4.24	10.00	100	100	101.48	+0.01
76	84	76	AAJ	2.74	4.24	10.00	100	100	101.48	+0.01
77	85	77	AAK	2.74	4.24	10.00	100	100	101.48	+0.01
78	86	78	AAI	2.74	4.24	10.00	100	100	101.48	+0.01
79	87	79	AAJ	2.74	4.24	10.00	100	100	101.48	+0.01
80	88	80	AAK	2.74	4.24	10.00	100	100	101.48	+0.01
81	89	81	AAI	2.74	4.24	10.00	100	100	101.48	+0.01
82	90	82	AAJ	2.74	4.24	10.00	100	100	101.48	+0.01
83	91	83	AAK	2.74	4.24	10.00	100	100	101.48	+0.01
84	92	84	AAI	2.74	4.24	10.00	100	100	101.48	+0.01
85	93	85	AAJ	2.74	4.24	10.00	100	100	101.48	+0.01
86	94	86	AAK	2.74	4.24	10.00	100	100	101.48	+0.01
87	95	87	AAI	2.74	4.24	10.00	100	100	101.48	+0.01
88	96	88	AAJ	2.74	4.24	10.00	100	100	101.48	+0.01
89	97	89	AAK	2.74	4.24	10.00	100	100	101.48	+0.01
90	98	90	AAI	2.74	4.24	10.00	100	100	101.48	+0.01
91	99	91	AAJ	2.74	4.24	10.00	100	100	101.48	+0.01
92	100	92	AAK	2.74	4.24	10.00	100	100	101.48	+0.01
93	101	93	AAI	2.74	4.24	10.00	100	100	101.48	+0.01
94	102	94	AAJ	2.74	4.24	10.00	100	100	101.48	+0.01
95	103	95	AAK	2.74	4.24	10.00	100	100	101.48	+0.01
96	104	96	AAI	2.74	4.24	10.00	100	100	101.48	+0.01
97	105	97	AAJ	2.74	4.24	10.00	100	100	101.48	+0.01
98	106	98	AAK	2.74	4.24	10.00	100	100	101.48	+0.01
99	107	99	AAI	2.74	4.24	10.00	100	100	101.48	+0.01
100	108	100	AAJ	2.74	4.24	10.00	100	100	101.48	+0.01

THE DJI'S AT 1,500?

Although there will be spastic corrections, investors should believe the Dow will reach 1,500 with upswings in "anonymous" securities. The plasticity of human affairs is changing somewhat in the over-the-counter market, are the POLAROID and XEROX's of the future. Our optimism has been mistaken, months before the averages reached, editors commented, (when the DJI's were 750) that the "Dow will touch 1,000 before hitting 750." Most analysts thought we were hallucinating. Even Barron's magazine was off course on August 9th, they mused, "the market seems to be saving its seed the future and it doesn't work." At the same time Barron's and other publications were calling our projections, we were resolute: urging readers to "buy into weakness."

The rest is legend. On August 17th, the DJI's reached 38 points. On August 18th, a big bear trading market was established, with 133,000,000 shares changing hands. Once the Dow passed 1,000, fanatics of despair continued to chase funeral diriges. As recently as mid-October, Joseph Granville, already wrong by 270 points, divined that the "Dow will plunge below 650 by January, 1983," a prediction that bears more witness to his fatal arrogance, to his failure to fashion that the world is turned to "a revolution of rising expectations."

His vision is in contrast to purveyors of pessimism who have profited, at their clients expense, grinding out reports predicting a market collapse. What do our researchers contemplate? We believe the Dow will go beyond 1,500; the Swiss franc will drift lower; the oil price will evaporate that gold and silver prices vault upwards. In addition, our current view highlights two, low-price emerging stocks: they may soar into prominence, dramatically outpacing the Dow. For your complimentary copy of this letter, please write to:

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ECONOMIC SCENE

By H. ERICH HEINEMANN

Reagan's Top Policy Challenge Could Be Application of Logic

The administration's slogan during the election campaign last fall was "stay the course." The challenge, as Martin Feldstein, the president's chief economic adviser, has put it, was "to look far enough into the future" to encourage savings, investment and, hence, expansion.

There is no hint that the president has abandoned his basic goal of sustainable economic growth through lower taxes, smaller government, stable money and less regulation.

Even so, many economists see the Republican slogan as a curious choice of phrase. They believe the emphasis of administration economic policy has been in flux for months, shifting away from inflation toward growth as the principal concern. The resulting change, they argue, is largely responsible for the improved economic outlook on which Mr. Reagan has placed so much stress recently.

There has been a "major change in monetary policy," says Arnold X. Moscovitz, chief economist at Dean Witter Reynolds: The Federal Reserve, with strong backing from the administration, is now trying to push down interest rates rather than hold down growth in the money supply. Any attempt at a mid-term change for Mr. Reagan's economic performance, therefore, has to recognize that his strategy—as in all administrations—presents a moving target.

At the same time, the clash between the demands of the military and those of the needy for real resources has produced a profound political stalemate in the nonstop battle of the budget.

Mr. Reagan argued at his news conference this week that it is "an accepted fact that increasing taxes is not the way out of a recession." The tax cuts already in place, he said, would stimulate an increase in both savings and consumption. But at the same time, the president has supported significant increases in taxes, most recently last month, with the five-cent-a-gallon rise in the federal gasoline tax.

Moreover, on the basis of the economic logic advanced by the administration itself, there is a legitimate question whether the true tax burden has been reduced at all in the last two years, or whether it just has been reapportioned.

"The American people," the president's Council of Economic Advisers said in its 1982 annual report, "must eventually pay for what government spends." To be sure, if the Treasury borrows to cover a deficit, this will shift to future generations the burden of explicit taxes.

Alternatively, the report stated, the government can engage in "excessive expansion of the money supply," which will create inflation, thereby lowering the real value of the existing stock of money and of government debt held by the private sector. If the inflation is not anticipated, the result will be a transfer of real resources to the government.

Spending Real Dollars

Either way, when the government spends real dollars—whether for battleships or food stamps—someone, sometime has to pay a real tax. The choice for tax policy, then, lies between explicit taxes legislated by Congress and the implicit, unlegislated taxes of deficit spending and inflation.

This line of reasoning has some fascinating implications for the current debate over fiscal policy. Under the Reagan administration, there has been little change in the growth of real federal purchases of goods and services. Growth in transfer payments has slowed down, but the rate of increase is still about 5.5 percent in real terms.

Much more critical, from the standpoint of the administration's basic strategy, is the fact that federal spending has risen sharply as a percentage of the gross national product over the last two years, in part owing to economic weakness. It now stands at about 24.5 percent, the highest since 1946, when World War II military outlays were still winding down.

To be sure, the administration, Congress and the Federal Reserve have significantly changed the impact of explicit taxation, and by controlling prices, of the unlegislated inflation tax as well. Personal income tax rates have been lowered substantially, while taxes on consumption—from telephone calls to gasoline—have risen. But while the tax on each extra dollar of earnings (the "marginal" tax) has been reduced for some, the president's logic would suggest that the true burden of the average taxpayer has risen considerably.

Mr. Feldstein has maintained that "an emphasis on the present and a disregard of the future produces monetary and fiscal policies that reduce unemployment in the short run, but increase both unemployment and inflation in the long run."

With spending and tax policy caught in a crossfire between the administration and Congress, and with pressure rising to produce economic performance now, it will be interesting to see how Mr. Reagan deals with the dilemma posed by his chief adviser.

The New York Times

Korf Asks Court for Receiver

By John Tagliabue
New York Times Service

BONN — In the latest in a string of major corporate failures to shake West German business in recent months, Korf Industrie und Handel, the parent company of the Korf Steel group, said Friday it has asked for a court receiver to protect it from its creditors.

In a statement released at its headquarters in Baden-Baden, the company attributed the decision to "growing liquidity difficulties that are affecting not only the Korf group, but wide sectors of the German steel industry."

The company said it was working on a solution that would include the German Korf group in the planned restructuring concept of the steel industry.

The Bonn government recently asked three independent experts to propose ways to help Germany's steel industry to return to profitability.

Earlier this week, Willy Korf, the 53-year-old businessman who owns and controls the group's parent company, said the company would present its restructuring plan later this month.

Mr. Korf is credited with helping revolutionize steelmaking in the last two decades by developing the compact steel mills known in the industry as mini-mills. Through the Korf parent company, Mr. Korf holds roughly 70 percent of the equity of Korf Stahl, the parent company of the group's European steelmaking activities, and a comparable stake in Korf Industries Inc. of Charlotte, North Carolina.

Korf's North American unit, the Kuwaiti government and a Kuwaiti investment company hold most of the remaining shares in both units.

But Friday, while representatives of the group's creditor banks met in Düsseldorf to discuss future financing, Korf said it had filed a proposal in Baden-Baden municipal court to settle the company's debt.

Ordinarily, such a proposal would mean that minor creditors would be paid in full, while major lenders would be asked to accept only part of what they are owed.

Under West German law, 50.1 percent of the creditors, holding 80 percent of the debt, must approve such a settlement to avoid formal bankruptcy.

Mr. Korf has also said talks were going on with Kuwait to seek additional financial aid. The company is also seeking support from the Bonn government and the state government of Baden-Württemberg for one of its West German units.

As a privately owned company, Korf publishes few details of its financial condition. But the company, which employs about 10,000 workers worldwide, reported total revenue in 1981 of \$1.18 billion.

(Continued on Page 11, Col. 3)



A worker moves coils of steel along a run-out table at a Broken Hill Proprietary plant in New Castle, New South Wales. Inset, James C. McNeil, the chairman of BHP.

Recession Hurting Australian Giant

By Pamela G. Hollie
New York Times Service

MELBOURNE — A cartoon in a business weekly recently showed an overweight steelworker with the initials of Australia's largest concern, Broken Hill Proprietary, on his sweatshirt, pleading with a caricature of Prime Minister Malcolm Fraser.

"Please protect me," the kneeling giant said. "Big boys don't cry," replied the Prime Minister, walking away.

Since its founding 100 years ago, BHP has maintained that what is good for the company is good for Australia. So, when out-of-work BHP laborers marched on Parliament in Canberra in late 1982 demanding that the government do something to help workers at Australia's only integrated steel company, James C. McNeil, BHP's chairman, waited with interest for the government's response.

He knew what it would be — the Fraser government is for fewer, not more, trade barriers. But he got more satisfaction from the knowledge that the workers had made his point: If BHP suffers, so do thousands of Australians.

There is a clear parallel between Australia's economic performance and that of the company. The 66-year-old executive said.

The problems of BHP are similar to those of major steel producers everywhere, except that in Australia, where prosperity has been interrupted for nearly 25 years, unemployment is practically unknown.

The lucky country, as Australia is known, thought it could ride out the recession with ease. And, even though Australian businesses had

expected that they would have to tighten their belts when the world recession reached their shores, many had thought that the downturn would be slight. If things got tough, the government would surely throw them a lifeline. Certainly, BHP had expected help. "Politically, BHP usually gets its way," said Allan Rennie, an analyst with E.L.C. Bailieu.

But the recession has been deeper and longer in the United States and Europe than Australians expected. And BHP, the General Motors of Australia, is in trouble. Earnings have dropped to 185.4 million Australian dollars (\$189 million), on an inflation-adjusted basis, on revenue of 4.9 billion dollars in the fiscal year 1982 ended May 31, from a record high of 266.8 million dollars on revenues of 4.6 billion dollars a year earlier.

In a year when BHP is shedding employees, battling against negative margins and cheap steel imports, "BHP could lose its position as Australia's No. 1 company," said Alan Jury, an Australian business writer.

Although BHP has mineral, manufacturing and oil and gas divisions, its largest is steel, a 41,000 employee operation that contributes about 40 percent to BHP's revenue and represents all of Australia's steel output. "BHP is the steel industry," said Christopher Grieve, an analyst with Potter Partners in Melbourne. "That is why BHP's health is so important to Australia."

Its monopoly in steel has raised questions because its virtual lack of competition may be the chief reason for the company's slow slide

(Continued on Page 11, Col. 1)

Phillips Agrees to Buy General American Oil

Compiled by Our Staff From Dispatches

NEW YORK — General American Oil of Texas said Friday it had agreed to be acquired by Phillips Petroleum and that Mesa Petroleum had agreed to drop its takeover bid for General American.

Under the merger agreement, Phillips would pay an average of \$45 a share for all of General American's 25.4 million common shares outstanding, or a total of about \$1.14 billion.

General American had been expected to seek a friendly suitor after it rejected Mesa's offer of \$40 a share for 13 million of General American's shares.

At the same time, General American tried to thwart Mesa's bid by starting a tender offer of \$50 a share for 8 million of its own shares, and an option to buy another 5 million.

The definitive agreement with Phillips involves several steps, beginning with General American continuing its tender offer of \$50 a share for a total of 10.3 million shares.

In addition, Phillips said it would buy 7.5 million shares for \$45 apiece under a separate agreement with the Meadows Foundation and several stockholders. That block represents about 29 percent of General American stock.

The foundation manages charitable trusts set up by Alur H. Meadows, General American's late founder.

Together, the 10.3 million shares bought by General American on behalf of Phillips and the 7.5 million shares bought by Phillips represent nearly 50 percent of the total common outstanding.

Shares not bought under General American's offer or from the Meadows Foundation would be converted into about \$38.17 a share in either cash or securities issued by Phillips.

Mesa, in addition to dropping its tender offer, also agreed that litigation between it and General American would be dropped, and General American agreed to pay Mesa \$15 million to cover expenses associated with Mesa's offer.

Mesa also agreed not to buy any General American securities for five years, General American said. Mesa said it could have a gain of \$44.9 million as a result of the Phillips transaction.

In May 1980, Mesa issued \$76.6 million of 8 percent subordinated debentures, which are exchangeable by the holders for the 1.89 million shares of General American held by Mesa.

Mesa said that if the debenture holders convert to the General American stock, as expected, it will result in a pre-tax gain for Mesa of \$10.7 million in the current quarter and \$34.2 million in the first quarter.

Phillips reportedly has considered itself vulnerable to a takeover attempt, although it ranks as the

15th-largest industrial company in the United States, with annual revenue of \$16 billion. Analysts said that by acquiring General American, Phillips would not only make itself a more difficult target for a takeover but would add reserves of crude oil at an attractive price of about \$7 a barrel.

The acquisition of General American will result in an 11 percent increase in Phillips' U.S. hydrocarbon reserves and a 15 percent increase in its U.S. oil and natural gas production.

This action is in keeping with Phillips' long-term objective of continuing to improve its U.S. reserves and production positions," said William C. Dounce, Phillips chairman and chief executive.

He added: "Phillips will be able to finance this acquisition comfortably by making use of our strong financial position and our untapped borrowing capacity."

During the fiscal year ended June 30, 1982, General American earned \$61.5 million on revenue of \$448 million.

General American has proved reserves of 80 billion barrels of liquids and 519 billion cubic feet of natural gas, located in the United States and Canada. The U.S. reserves consist of 56 billion barrels of liquids and 294 billion cubic feet of gas. In fiscal 1982 its daily U.S. production was about 17,600 barrels of crude oil and 114 million cubic feet of natural gas.

N.Y. Stock Prices Hold Modest Gain

Compiled by Our Staff From Dispatches

NEW YORK — Prices on the New York Stock Exchange held on Friday, and the Dow Jones industrial average set another record at the close as buyers continued to flood the market on expectations that interest rates will turn lower and the economy will turn up.

The Dow average climbed 14 1/2 points during the day but pulled back in the last hour, closing with a gain of some 5.15 points at about 1,076.07. Advances led declines by a nine-to-seven margin.

Trading activity also fell off in the afternoon, although volume still totaled 127.3 million shares, only slightly below Thursday's 129.4 million.

About two-thirds of Friday's volume was recorded in the first three hours of trading.

"There seems to be a touch of profit-taking," said Trade Latimer, Evans & Co. vice president. "Also, some of the groups that have been active, such as oils, appear to be resting."

Thursday's rally was sparked by expectations that the recession had hit bottom, and the market

shrugged off the report that unemployment edged up to 10.8 percent in December.

Larry Wachtel of Prudential-Bache Securities said Wall Street regarded the most recent unemployment figures as a non-event.

"Historically, when the market reaches new highs the [economic news] headlines are always at their worst," he said. "Bad news doesn't matter at this point."

The rally gained further support Friday from widespread speculation that the Federal Reserve would cut the discount rate from its current 8 1/2 percent. The discount rate, charged on Fed loans to member banks, was last cut Dec. 13.

"There's a widespread belief that the Fed will cut the discount rate either this week or next," said Harvey Deutsch of Purcell Graham said. "The Fed has got to ensure that rates stay down in order to get our economy moving."

Such speculation was based in part on the low level of the federal funds rate, charged on overnight loans between banks, which fell to 7 1/2 percent from an average 8.48 percent Thursday.

But analysts noted that the late pull-back in the market demonstrated that enough skepticism existed about the possibility of a discount rate cut to cause investors to take some profits ahead of the weekend.

Mr. Deutsch said that even without a discount rate cut the market should continue its rally and could reach 1,100 on the Dow average sometime next week.

Analysts said recent increases in car sales, housing starts and retail sales strongly indicate the recession that began in July 1981 has ended and the economy is on the road to recovery.

Analyst Newton Zinder with E.F. Hutton & Co. said investors "are betting and I think have been betting since the summer, that there is going to be some economic recovery starting despite what the economists say."

■ Third Tokyo Record
The Tokyo Stock Exchange average gained 48.78 points Friday to close at a record 8,169.29 on the heaviest trading volume since May 1, 1981, of 650 million shares. Reuters reported from Tokyo. It was the third successive day the average posted a record finish.

U.S. M-1 Up \$500 Million

Compiled From Dispatches

NEW YORK — The basic measure of the U.S. money supply, M-1, rose \$500 million in the week ended Dec. 29, the Federal Reserve Board reported Friday.

The increase in the measure of cash in circulation and the funds in checking accounts was roughly in line with expectations and followed a smaller-than-expected drop of \$2.4 billion in the week.

The introduction Dec. 14 of high-interest checking accounts at U.S. banks — accounts that are counted in M-2 and broader aggregates than M-1 — had been expected to cause M-1 to drop \$4 billion or more the previous week.

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Tables include the nationwide prices up to the closing on Wall Street.

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Computer Firms Revise Pirate War

NEW YORK — When the personal computer boom began two years ago, the leading software manufacturers, mindful of how piracy had drained profits from the record and videotape industries, declared war on entrepreneurs who illegally copy computer programs.

The war is not over, but by most accounts the program pirates have won the first battle. Although legal remedies more vigorously, they have largely given up time-consuming and expensive efforts to encrypt their most popular software with codes designed to prevent copying of programs.

Without these codes, most medium-priced home computers can make a duplicate of a complex word processing, accounting or game program in seconds. But even some highly sophisticated codes, the manufacturers learned, are not enough to stop a determined pirate or a computer hobbyist who revels in the challenge of code breaking.

"The lesson is that as fast as you can think up a new code, someone else can break it," said Edward H. Currie, president of Lifebeat Associates, a New York software firm.

Finding a way to defeat the pirates is a top priority for the software manufacturers, who are competing fiercely for a share of the emerging, multimillion-dollar market in programs for personal computers. But an accurate assessment of how much business the industry is losing to pirates is hard to make.

Mr. Currie estimates that the industry loses 30 percent of its revenue to pirates. But Seymour Rubenstein, the founder of the Micropro International Corp., a leading software manufacturer in San Rafael, California, with about \$26 million in sales this year, said recently that his company loses \$20 million to \$40 million annually because of illegal reproduction.

Both Micropro and the Tandy Corp., the Texas-based company that markets Radio Shack computers, are among the manufacturers that attempted, and quickly dropped, copy-protection codes.

For example, Radio Shack's popular word processing program, called Scripsit, was first marketed with a program that prevented

users from making more than two electronic copies. But the code was easily broken by computer experts and by widely available programs that personal computer users can use to break the copy-protection codes.

Tandy also found that copy-protection codes annoy legitimate users, many of whom make several backup copies of software they purchase in case the original becomes damaged or worn out.

So it surprised few in the industry when Tandy last year released a new version of the program that carries no codes to impede the duplication of the software.

"Our feeling now is that if it poses a problem for the legitimate user, it's not worth the added protection for us," said Jon A. Shirley, the vice president of computer merchandising at Tandy.

Tandy is not alone. Both the International Business Machines Corp., which entered the personal computer market more than a year ago, and Apple Computer say they rarely use copy-protection codes on their software, and when they do it is only at the insistence of the company or individual who developed the program.

While Applewriter, Apple's word-processing software, does include copy-protection codes, they are bootleg copies all over, concedes Ida Cole, Apple's manager of applications software. "We know that the protection is just a Band-Aid."

The companies say they are battling two kinds of pirates: The computer buff who makes a copy for a friend, and the merchant who runs a mail-order business from his basement and sells thousands of illegal copies at prices substantially below retail.

The manufacturers privately acknowledge that they can do little to stop users who make copies of programs informally, although they have tried to bring pressure on some computer "user groups" that have sprung up across the country.

Several of the groups, the manufacturers have charged, allow trading on a large scale.

The companies are also cracking down on school districts that purchase one copy of an educational program and make reproductions for each member school.

But with the failure of the code-protection system, the manufacturers are intensifying their threats of legal action against merchant pirates. New programs are packaged with prominent copyright notices and warnings of vigorous legal action.

So far, however, examples of successful prosecution are rare. But in a recent case, Micropro and Digital Research Inc. filed suit against Dataforce International Inc. for selling copies of Wordstar, a popular Micropro word processing program. Under a decree agreed to by the Federal District Court in San Francisco, Dataforce and its chairman, Daniel M. O'Rourke, agreed to pay \$250,000 and legal expenses.

"We selected O'Rourke purposely," said Ronald Laurie, a lawyer for the two companies that brought the suit. "We wanted to let people know they will be pursued."

Industry representatives say that even with the failure of encryption efforts they still have a few weapons available to combat piracy. Some manufacturers are placing serial numbers on their software and refusing to offer help to any user who cannot identify where he purchased the program. Others are hoping to stay one step ahead of the pirates by regularly releasing improved versions of their programs.

Other companies, meanwhile, are trying to attack the problem by developing better hardware. One such method would embed a computer program with the machine's serial number the first time the program is used. The computer user could make unlimited copies, but they would only work on the machine that bears the same serial number.



Foreign Minister Shintaro Abe of Japan shook hands Thursday with British Prime Minister Margaret Thatcher.

Abe Vows to Broaden Japan's Import Market

ROME — Foreign Minister Shintaro Abe of Japan, ending a five-day tour of Western Europe, pledged Friday to widen his country's market for foreign goods.

A spokesman for the minister said the promise was made during a meeting with Prime Minister Antonio Fanfani of Italy.

He told reporters that the tariff reductions affecting 75 items were announced in Tokyo last month would be followed this month by new measures designed to ease European complaints about Japanese market restrictions.

The new measures would include enlarged quotas for certain unspecified items and steps to speed up procedures for importing goods, the spokesman said. However, no new tariff reductions are expected, he added.

The spokesman quoted Mr. Abe as saying that his tour had convinced him of the severe economic problems facing members of the European Community and of the need to increase industrial cooperation between Japan and the community.

During his visits to Belgium, West Germany, Britain and France, Mr. Abe heard sharp criticism of Japan's large trade surplus — more than \$10 billion in 1981 — with the community.

France and Britain in particular attacked what they termed restrictive Japanese trading policies as contributing to the surplus, and they described the latest tariff reductions as inadequate.

The Japanese spokesman said Mr. Abe's meetings Friday with Mr. Fanfani and Foreign Minister Emilio Colombo were comparatively conciliatory in tone. "Paris was by far the toughest stage," he said.

But he added that Mr. Abe strongly criticized Italian restrictions on Japanese imports during his meeting with Mr. Colombo.

building activities generated revenue totaling \$441 million in 1981, down from \$454 million in 1980. The company declared a net profit of \$2 million, roughly the same as the year before. Though Korf has released no U.S. sales figures for 1982, Mr. Korf said the steel industry crisis in the United States would cause the unit to lose money.

Analysts attribute much of the company's liquidity squeeze to problems with creditors in the United States.

One purpose of Friday's decision, it was thought, will likely be to seek to protect the European steel operations from the North American losses.

Korf's failure comes at a time when Europe's steel industry is being wracked by its worst postwar crisis. Most of Europe's steel-makers are generating serious losses, and several other companies, like Belgium's money-losing Cockerill-Sambre, on the brink of insolvency, are kept afloat only by massive injections of state aid.

But they said a major source of the malaise seemed also to be the U.S. operations. Korf's steel mills in Georgetown, South Carolina, and Beaumont, Texas, and its plant

compared with \$1 billion the year earlier.

A number of West German banks, led by the Dresdner Bank and the Bank für Gemeinwirtschaft, are understood to be owed the equivalent of \$171 million dollars.

In its statement, Korf said none of its subsidiaries in Europe or the United States would be affected by the measure.

Steel industry analysts said Korf's problems stem from the continuing crisis in Europe's steel industry, which is plagued by overproduction, growing competition from cheaper producers in developing countries, and by the effects of the recession on major customers such as the automobile and construction industries.

But they said a major source of the malaise seemed also to be the U.S. operations. Korf's steel mills in Georgetown, South Carolina, and Beaumont, Texas, and its plant

Teledyne's Profit Plunges by 89%

By Robert Ricci

LOS ANGELES — Teledyne has decided to write off its investment losses in International Harvester, with the result that its profit for the fourth quarter was down 89 percent from a year earlier.

The Thursday announcement caught analysts by surprise, and the plunge in earnings was far greater than anyone had expected.

Most analysts were expecting Teledyne's fourth quarter per-share profit to be about \$4 instead of the reported 48 cents, which compared with \$4.48 in the 1981 period.

Teledyne said it made an after-tax provision of \$4.91 million in the quarter to reduce the market value of investments in Harvester stock by its subsidiaries.

Robert Hanisee, an analyst for Amdel Securities and a close follower of Teledyne, said the severe profit decline was one of the company's "random shocks."

"The results are very, very far from what I and other analysts were expecting," he said.

Net income for the quarter fell to \$10.1 million from \$92.5 million. Total 1982 earnings declined to \$260.8 million, or \$12.60 a share, from \$412.3 million, or \$19.96 a share, in 1981.

Mr. Hanisee and other analysts had forecast 1982 per-share profit of \$6.73 million, down from \$79.2 million a year earlier, and sales for

the full year were \$2.86 billion, down from \$3.24 billion in 1981.

After the Harvester provision, Teledyne's books showed a loss of \$48.1 million from its equity in unconsolidated subsidiaries. This compared with a profit of \$15.4 million in the fourth quarter of 1981. The equity position for the year was a profit of \$42.1 million, down from a profit of \$142.6 million in 1981.

Teledyne said income from its consolidated companies, mostly manufacturing operations, totaled \$218.7 million in 1982 versus \$269.7 million in 1981.

Mr. Hanisee said the results from the manufacturing activities were "reasonably close to target."

He said it appeared Teledyne "did some reserving in insurance and housecleaning in its securities portfolios."

"One should never be surprised at random shocks like this when dealing with Teledyne because that's the way the man [Chairman Henry Singleton] runs the company," Mr. Hanisee said.

Forecasting Teledyne's quarterly earnings is impossible "because when Mr. Singleton sees an opportunity to take reserves which minimize taxes, he will do it — and that's what it looks like he does this time."

Mr. Hanisee said he believes Teledyne's volatile stock price drop on news of the 1982 results and "that should create a good buying opportunity."

U.S. Futures Prices

Open High Low Close Chg.

WHEAT 5000 bu. minimum, dollars per bushel
Mar. 1.25 1.25 1.25 1.25 +0.01
May 1.25 1.25 1.25 1.25 +0.01
Sep. 1.25 1.25 1.25 1.25 +0.01
Dec. 1.25 1.25 1.25 1.25 +0.01
Prev. day's open 1.25.00.

CORN 5000 bu. minimum, dollars per bushel
Mar. 0.85 0.85 0.85 0.85 +0.01
May 0.85 0.85 0.85 0.85 +0.01
Sep. 0.85 0.85 0.85 0.85 +0.01
Dec. 0.85 0.85 0.85 0.85 +0.01
Prev. day's open 0.85.00.

SOYBEANS 5000 bu. minimum, dollars per bushel
Mar. 2.25 2.25 2.25 2.25 +0.01
May 2.25 2.25 2.25 2.25 +0.01
Sep. 2.25 2.25 2.25 2.25 +0.01
Dec. 2.25 2.25 2.25 2.25 +0.01
Prev. day's open 2.25.00.

SOYBEAN MEAL 100 lbs. minimum, dollars per cwt.
Mar. 17.50 17.50 17.50 17.50 +0.01
May 17.50 17.50 17.50 17.50 +0.01
Sep. 17.50 17.50 17.50 17.50 +0.01
Dec. 17.50 17.50 17.50 17.50 +0.01
Prev. day's open 17.50.00.

COCA 100 lbs. minimum, dollars per cwt.
Mar. 1.25 1.25 1.25 1.25 +0.01
May 1.25 1.25 1.25 1.25 +0.01
Sep. 1.25 1.25 1.25 1.25 +0.01
Dec. 1.25 1.25 1.25 1.25 +0.01
Prev. day's open 1.25.00.

COFFEE 100 lbs. minimum, dollars per cwt.
Mar. 1.25 1.25 1.25 1.25 +0.01
May 1.25 1.25 1.25 1.25 +0.01
Sep. 1.25 1.25 1.25 1.25 +0.01
Dec. 1.25 1.25 1.25 1.25 +0.01
Prev. day's open 1.25.00.

COFFEE 100 lbs. minimum, dollars per cwt.
Mar. 1.25 1.25 1.25 1.25 +0.01
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Sep. 1.25 1.25 1.25 1.25 +0.01
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Prev. day's open 1.25.00.

COFFEE 100 lbs. minimum, dollars per cwt.
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COFFEE 100 lbs. minimum, dollars per cwt.
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COFFEE 100 lbs. minimum, dollars per cwt.
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Prev. day's open 1.25.00.

BUSINESS BRIEFS

Fed Backs BankAmerica Plan To Acquire Discount Brokerage

SAN FRANCISCO (UPI) — The Federal Reserve Board approved Friday the purchase of the discount brokerage firm of Charles Schwab & Co. by BankAmerica Corp.

A spokesman for the bank said the merger is expected to be completed in about a week. Shareholders and the board are expected to approve it by Jan. 10.

Schwab is the largest discount brokerage firm in the United States. It has 51 offices from the country and one in Hong Kong. The firm has 750 employees, 350,000 customers and had earnings of \$53 million for the year ended last September.

The intention to purchase Charles Schwab & Co. was announced by BankAmerica in November 1981.

Matsushita Profit Seen Higher

TOKYO (Reuters) — Matsushita Electric Industrial's earnings are expected to be slightly higher in the financial year that ended Nov. 30, analysts said Friday.

The company, which had a 14.4 percent improvement in profit in the previous financial year to \$3.6 billion yen (\$365 million), and analysts' estimates for the year just ended range between \$5 billion and \$7 billion.

Company sources said the announcement of the year's results are expected around Jan. 18.

Philips and Russians in Talks

EINDHOVEN, Netherlands (Reuters) — Philips of the Netherlands said Friday it is involved in talks with Soviet officials on the possibility of Philips assisting in setting up a color television plant in the Soviet Union.

A Philips spokesman said talks are at an early stage following a recent visit by a Soviet technical delegation to company plants in the Netherlands, but he gave no details.

Company Notes

Turk Shell, the Turkish arm of the Royal Dutch-Shell group, has discovered an oil field in southeastern Turkey, with total recoverable reserves of one million barrels of light crude.

Redland of Britain's acquisition of Boston Industries of Texas, valued at \$70.4 million, will not be referred to the British Monopolies and Mergers Commission.

Stock Indexes

NYSE COMP. INDEX
100 = 100
Dow Jones Industrial Average
100 = 100

NYSE COMP. INDEX
100 = 100
Dow Jones Industrial Average
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Dow Jones Industrial Average
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NYSE COMP. INDEX
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